CA INTER

SM BLUEPRINT

FROM VISION TO VICTORY

Sumit Parashar

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"Perseverance is the hard work you do after you get tired of doing the hard work you already did."

01

CHAPTER

INTRODUCTION TO STRATEGIC MANAGEMENT

MEANING AND NATURE OF STRATEGIC MANAGEMENT

STRATEGIC MANAGEMENT

The strategic management process is the set of activities that firm managers undertake to put their firms in the best possible position to compete successfully in the marketplace.

STRATEGIC MANAGEMENT IS MADE UP OF SEVERAL DISTINCT ACTIVITIES

- Developing the firm's vision and mission
- Strategic analysis
- Developing objectives
- Measuring and evaluating performance

The term "Management" is used in two senses

Key group in an organisationin-charge of its affairs.

- key group in-charge of its affairs.
- bring together and integrate resources
- mobilises and utilises diverse resources
- competence and character management- success or failure.
- keeps organization responsive to changing environmental conditions and maintain a balance.

Set of interrelated functions and processes carried out by the management

- a set of interrelated functions and processes carried out by the management
- Planning, Organising, Directing, Staffing and Control.
- determination of the goals, design of the organisation, mobilisation and acquisition of resources, allocation of tasks and resources among the personnel and activity units and installation of control system to ensure that what is planned is achieved.

CONCEPT OF STRATEGY

Strategy

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

William F. Glueck

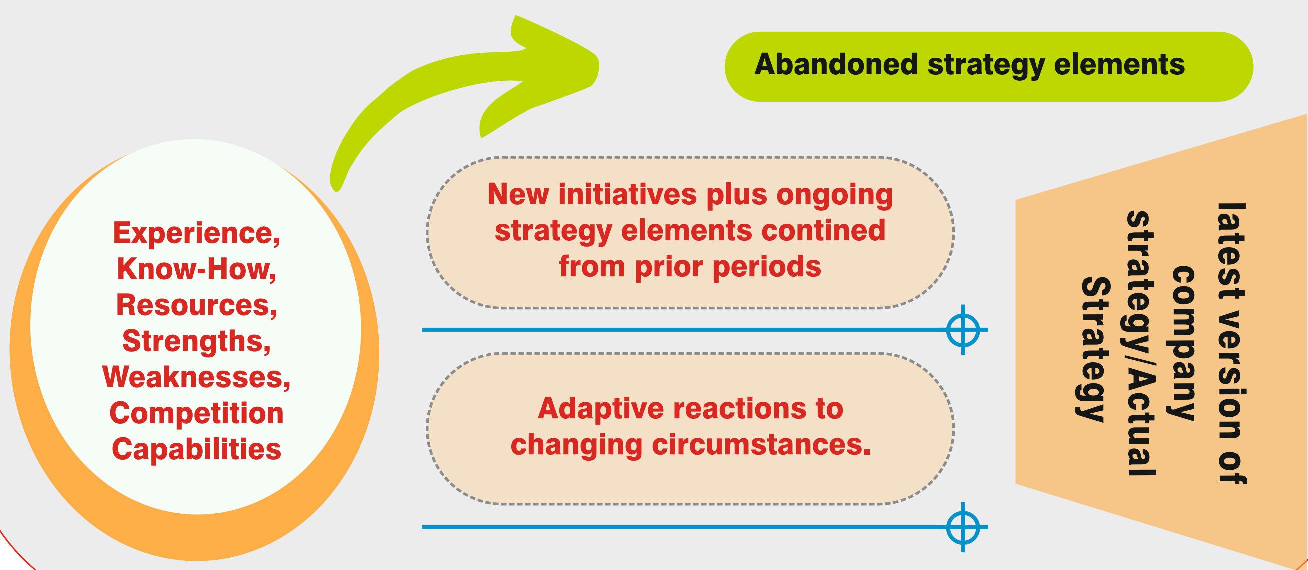
A unified, comprehensive, and integrated plan designed to assure that the basic objectives of the enterprise are achieved.

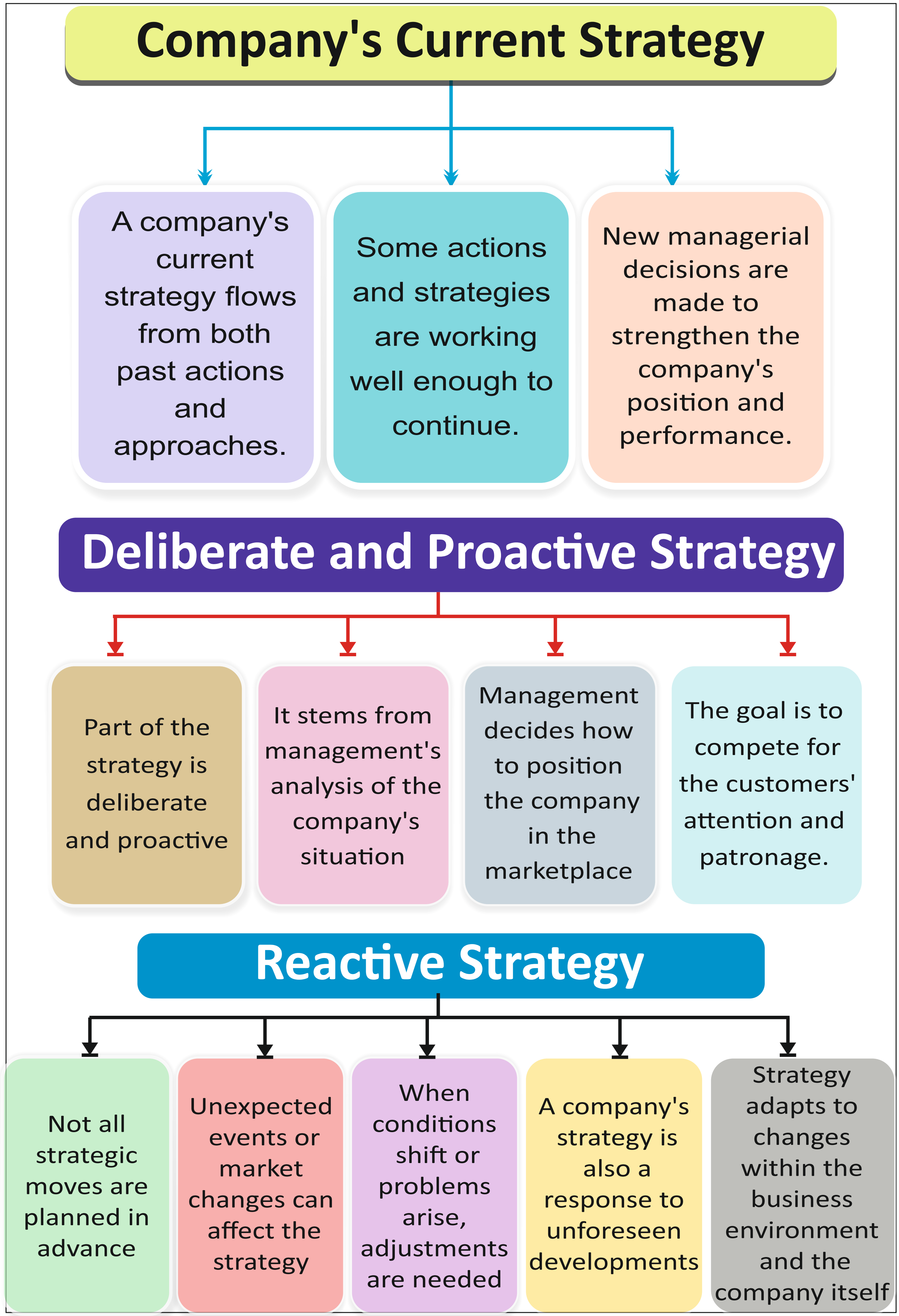
STRATEGY IS NO SUBSTITUTE FOR SOUND, ALERT, AND RESPONSIBLE MANAGEMENT.

It must be recognised that strategy can never be perfect, flawless, and optimal.

It is in the very nature of strategy that it is flexible and pragmatic to take care of sudden emergencies, pressures, and avoid failures and frustrations. In a sound strategy, allowances are made for possible miscalculations and unanticipated events.

STRATEGY IS PARTLY PROACTIVE AND PARTLY REACTIVE




Company's Current Strategy
A company's current strategy flows from both past actions and approaches.
Some actions and strategies are working well enough to continue.
New managerial decisions are made to strengthen the company's position and performance.
Deliberate and Proactive Strategy
Part of the strategy is deliberate and proactive
It stems from management's analysis of the company's situation
Management decides how to position the company in the marketplace
The goal is to compete for the customers' attention and patronage.
Reactive Strategy
Not all strategic moves are planned in advance
Unexpected events or market changes can affect the strategy
When conditions shift or problems arise, adjustments are needed
A company's strategy is also a response to unforeseen developments
Strategy adapts to changes within the business environment and the company itself

Strategic management

Managerial Process of Strategy

- Involves developing a strategic vision, setting objectives, and crafting a strategy.
- Includes the steps of implementing, evaluating the strategy, and initiating corrective adjustments.
- These steps are deemed appropriate for effective management.

Cyclic Process:

The strategic management process is cyclical, constantly evolving and adjusting.

Strategic Management

- Originally called business policy, strategic management focuses on monitoring and evaluating external opportunities and threats.
- It considers a company's strengths and weaknesses.
- The goal is to design strategies that ensure the company's survival and growth.

Business Warfare

- Businesses follow the “win or lose” principle, where win-win situations are rare.
- Each organization must build its competitive advantage to outperform competitors.
- This is achieved by following the strategic management process: strategic analysis, formulation, implementation, evaluation, and control

The overall objectives of strategic management

The overall objectives of strategic management are two-fold

To create competitive advantage
To guide the company successfully through all changes in the environment

STRATEGIC MANAGEMENT - IMPORTANCE AND LIMITATIONS

Benefits of Strategic Management	Limitations of strategic management
(I) Direction to the company to move ahead by defining the goals and mission.	(I) Environment is highly complex and turbulent.
(ii) To be proactive instead of reactive	(ii) Time- consuming process
(iii) Frameworks for all major decisions	(iii) Strategic management is a costly process
Face the future and act as pathfinder to various business opportunities.	
(iv) Corporate defence mechanism against mistakes and pitfalls.	(iv) difficult to clearly estimate the competitive responses to a firm's strategies
(v) Enhance the longevity of the business	
(vi) Develop certain core competencies and competitive advantages.	

STRATEGIC INTENT

Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, and control of strategies to realise the organisation's strategic intent.

STRATEGIC INTENT

It 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.

STRATEGIC INTENT CAN BE UNDERSTOOD AS THE PHILOSOPHICAL BASE OF STRATEGIC MANAGEMENT

- It represents the goals an organization strives to achieve.
- It provides a perspective on the means that will help the organization reach its vision in the long term.
- Strategic intent outlines what the organization aims to attain in the future.
- It answers the question: What does the organization strive for or stand for
- It indicates the long-term market position the organization wants to create or occupy.
- It highlights opportunities for exploring new possibilities

Level	Strategic Intent
Corporate level.	Vision and mission statements
Business level	Business definition and business model
Functional Level	Goals and objectives.

COMPONENTS OF STRATEGIC INTENT

1. Vision
2. Mission
3. Goals and Objectives
4. Values Value System

Components	Description
1 Vision	• Where the organisation wants to land.
2 Mission	• Mission delineates the firm's business, its goals and ways to reach the goals. • Reason for the existence. • Helps understand the purpose of the firm. • what business the firm undertakes?
3 Goals and Objectives	• Base of measurement. • Goals are the end results. • Objectives are time-based measurable targets, which help in the accomplishment of goals.
4 Values Value System	• 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.

Vision

Strategic Vision

- Top management's views on the company's direction shape the strategic vision
- The focus includes product, customer, market, and technology aspects
- The strategic vision outlines management's aspirations for the business
- It provides a clear view of "where we are to go" and why this direction makes good business sense

Purpose of Strategic Vision

1. It points out a specific direction for the company's future.
2. It charts a strategic path to follow in the coming years.
3. It helps shape and mold the company's organizational identity.

Communication of Satrategic Vision

1. A clearly articulated strategic vision communicates management's aspirations to stakeholders.
2. It guides the company's personnel, aligning their efforts towards a common goal.

ESSENTIALS OF A STRATEGIC VISION

THINK CREATIVELY	The entrepreneurial challenge in developing a strategic vision is to think creatively about how to prepare a company for the future.
INTELLIGENT ENTREPRENEURSHIP	Forming a strategic vision is an exercise in intelligent entrepreneurship.
WELL-ARTICULATED	A well-articulated strategic vision creates enthusiasm among the members of the organisation
BEST-WORDED	The best-worded vision statement clearly illuminates the direction in which organisation is headed.

MISSION

A mission answers the basic question: "What business are we in and what do we do?"

Firms focused on strategic management must clearly define their mission and business, as these are central to strategic planning.

Mission Statement

The mission statement should reflect the organization's philosophy, as perceived by senior management.

A good mission statement should be

- ★ **Precise**
- ★ **Clear**
- ★ **Feasible**
- ★ **Distinctive**
- ★ **Motivating**

FOCUS OF THE MISSION STATEMENT

- ★ **A company's mission statement typically centers on its current business scope.**
- ★ **It answers "who we are and what we do" in the present.**
- ★ **Mission statements describe the organization's current capabilities, customer focus, activities, and business structure.**

FOLLOWING POINTS ARE USEFUL WHILE WRITING A MISSION OF A COMPANY

- **SPECIAL IDENTITY**
  give the organisation its own special identity, business emphasisand path for development
- **TARGET GROUP, TECHNOLOGY, AND COMPETENCIES**
  Which customer groups it is targeting and the technologies and competencies it uses and the activities it performs.
- **UNIQUE**
  Good mission statements are – unique to the organisation for which they are developed.

WHY SHOULD AN ORGANISATION HAVE A MISSION

- **A** Unanimity Of Purpose
- **B** Standard, For Allocating Organisational Resources
- **C** Basis For Motivating The Use Of The Organisation's Resources
- **D** General Tone Or Organisational Climate
- **E** A Focal Point For Those Who Can Identify With The Organisation's Purpose And Direction
- **F** Translation Of Objective And Goals Into A Work Structure
- **G** To Specify Organisational Purposes And The Translation Of These Purposes Into Goals

What is our mission? And what business are we in

What is our mission

Peter Drucker and Theodore Levitt emphasised every business firm must clarify the corporate mission and define accurately the business the firm is engaged in.

THEY ALSO EXPLAINED THAT TOWARDS FACILITATING THIS TASK, THE FIRM SHOULD RAISE AND ANSWER CERTAIN BASIC QUESTIONS CONCERNING ITS BUSINESS, SUCH AS

I. What is our mission
II. What is our ultimate purpose
III. What do we want to become
IV. What kind of growth do we seek
V. What business are we in?
VI. Do we understand our business correctly and define it accurately
VII. Whom do we intend to serve
VIII. What human need do we intend to serve through our offer
IX. What brings us to this business
X. What would be the nature of this business in the future
XI. In what business would we like to be in, in the future

What Business Are We In?

According to Peter Drucker, every organisation must ask an important question "What business are we in?" and get the correct and meaningful answer.

The answer should have marketing or external perspective and should not be restated to the production or generic activities of business.

Company	Production-oriented answer	Marketing-oriented answer
Indian Oil	We produce oil and gasoline products.	We provide various types of safeand cost- effective energy.
Indian Railways	We run a railroad.	We offer a transportation and material- handling system.
Lakme	Inthefactory,wemake cosmetics.Inthefactory, wemake cosmetics.	In the retail outlet, we sell hope

GOALS AND OBJECTIVES

✓Goals and objectives are translated from vision and mission of the organization.

✓Terms Goals and Objectives are used interchangeably in real life but there is distinction too.

Goals	Objectives
Goalsareopen-endedattributesthat denote the future states or outcomes.	Objectives are close-ended attributes which are precise and expressed in specific terms
Goals are broad.	Objectives are more specific and translate the goals to both long term and short-term perspective.

Objectives

- All organisations have objectives.
- They provide meaning and sense of direction to organisational endeavour.
- Organisational structure and activities are designed, and resources are allocated around the objectives to facilitate their achievement.
- They also act as benchmarks for guiding organisational activity and for evaluating how the organisation is performing.
- Objectives with strategic focus relate to outcomes that strengthen an organisation's overall business position and competitive vitality.

OBJECTIVES, TO BE MEANINGFUL TO SERVE THE INTENDED ROLE, MUST POSSESS THE FOLLOWING CHARACTERISTICS:

- **i** Define The Organisation's Relationship With Its Environment.
- **ii** Facilitative Towards Achievement Of Mission And Purpose.
- **iii** Basis For Strategic Decision-making.
- **iv** Standards For Performance Appraisal.
- **v** Concrete And Specific.
- **vi** Time Frame.
- **vii** Measurable And Controllable.
- **viii** Challenging.
- **ix** Correlate With Each Other.
- **x** Set Within The Constraints Of Organisational Resources And External Environment

A NEED FOR BOTH SHORT-TERM AND LONG-TERM OBJECTIVES

Financial and Strategic Objectives

- A company's set of financial and strategic objectives should include both short-term and long-term performance targets
- Quarterly or annual objectives focus attention on achieving immediate performance improvements.
- Targets set for three to five years prompt consideration of actions needed now to improve future performance.
- If a company aims to double its sales within five years, it cannot wait until the third or fourth year to start growing sales and its customer base.

LINKING SHORT-TERM AND LONG-TERM GOALS

By setting annual (or quarterly) performance targets, management indicates the speed at which long-term goals should be pursued.

Long-term objectives

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

I.Profitability	II.Productivity	III.Competitive Position	IV.Employee Development	V. Employee Relations	VI.Technological Leadership	VII.Public Responsibility

Long-term Objectives

Long-term objectives reflect the expected results from strategies.

Strategies are actions taken to achieve long-term objectives.

Objectives and strategies should align, usually spanning two to five years.

Short-range objectives can match long-range ones if the company is already meeting long-term goals.

EXAMPLE	A company achieving 15% profit growth annually has aligned short-term and long-term objectives.
WHEN THEY DIFFER	Short-range objectives differ when managers can't reach long-term targets in one year. Short-range objectives then serve as steps toward the long-term goal.

Benefits of objectives:

CLEARLY ESTABLISHED OBJECTIVES OFFER MANY BENEFITS:

* They provide direction
* Allow synergy
* Aid in evaluation
* Establish priorities
* Reduce uncertainty
* Minimize conflicts
* Stimulate exertion
* Aid in both the allocation of resources and the design of jobs.

VALUES

A few common examples of values are

INTEGRITY | TRUST | ACCOUNTABILITY | HUMILITY | INNOVATION | VDIVERSITY

Why Are Values So Important

- Tone
- Purpose
- Alignment
- Consumer Impact

STRATEGIC LEVELS IN ORGANISATIONS

A typical large organization is a multi-divisional organisation that competes in several different businesses

It has separate self-contained divisions to manage each of these businesses

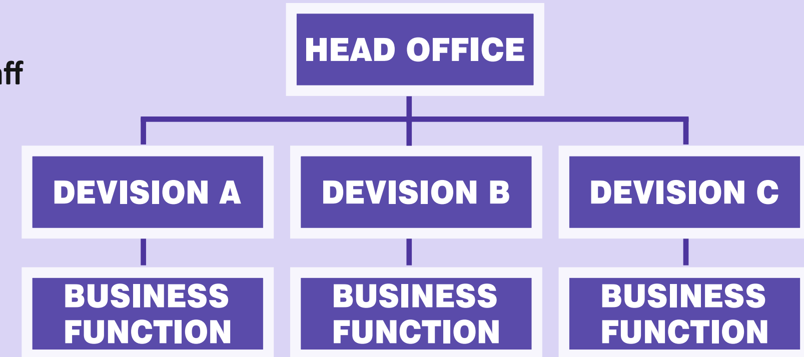
General managers are found at the first two of these levels, but their strategic roles differ depending on their sphere of responsibility

Strategic levels

CORPORATE LEVEL
CEO, other senior executives,
Boardof directors, and corporate staff

BUSINESS LEVEL

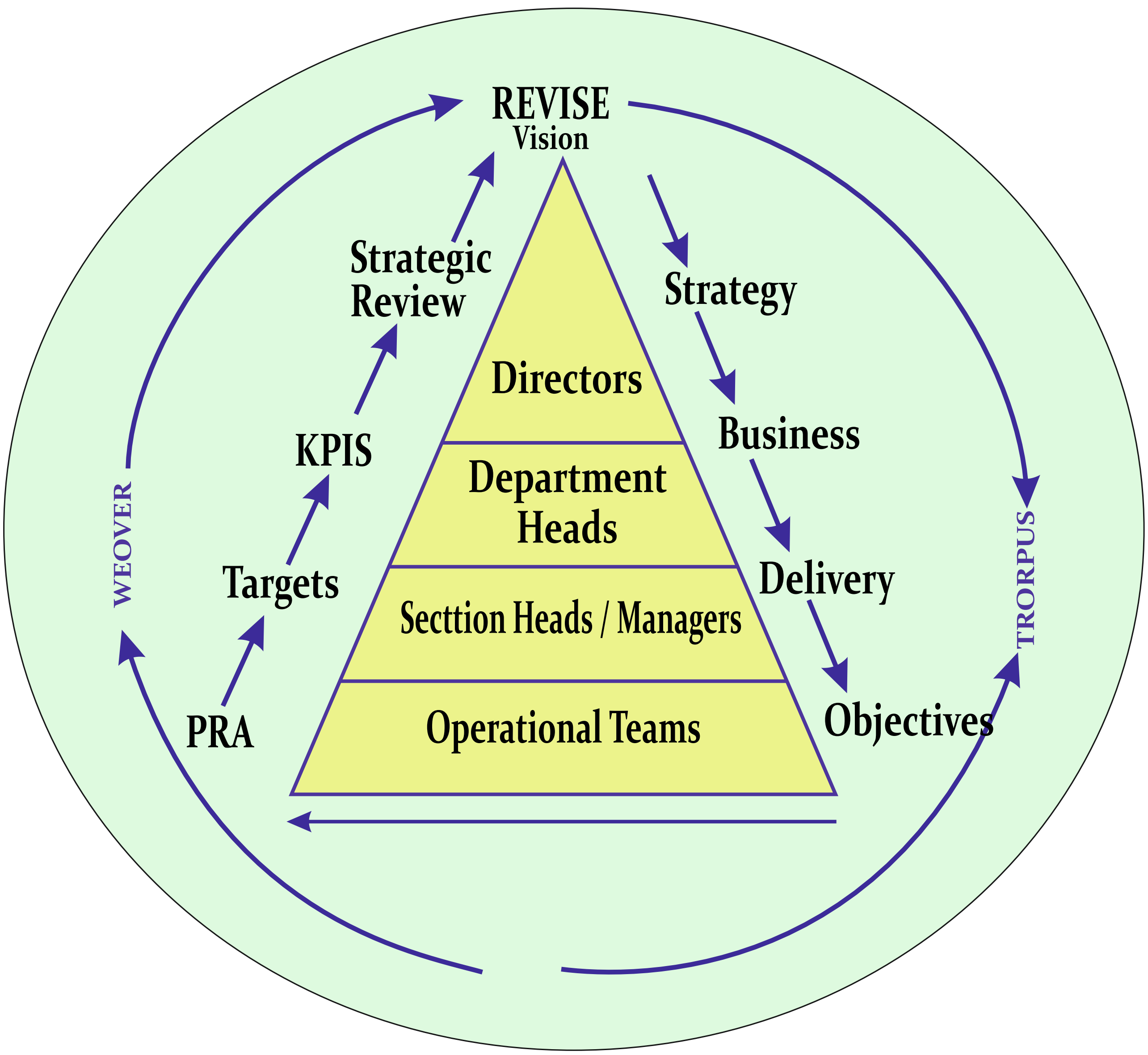
FUNCTIONAL LEVEL
Functional managers (marketing, finance, etc.)



- **Segments**
- **Divisions**
- **Product Line Responsibility**
- **Divisional Growth**
- **Competitive Advantage**
- **SBUs**

Levels	People involved	Roles
Corporate	Chief Executive Officer (CEO), other senior executives, the board of directors, and corporate staff	· Decision-making · Oversee strategies · Define mission & goals · Allocate resources · Formulate & implement strategies · Provide leadership · Provide organization-level strategy · Business-level managers ensure execution · Oversee resource allocation, acquisitions, and divestments · Link between management and shareholders · CEO guards shareholders' welfare · Ensure strategies align with maximizing shareholder wealth
Business	Principal General Manager At The Business Level, Or The Business- Level Manager	· Organization-Level Strategy · Execution by Business-Level Managers · Resource Allocation & Management · Link Between Management & Shareholders · CEO Protects Shareholder Welfare · Align Strategies to Maximize Wealth
Functional	Functional-level managers	· Responsibility: Manage specific business functions (HR, purchasing, product development, etc.). · Scope: Focus on one organizational activity, unlike general managers who oversee entire divisions. · Strategic Role: Develop functional strategies to support broader business and corporate goals. · Information Providers: Supply crucial data for business and corporate-level strategy formulation. · Idea Generation: Close to customers, they may generate ideas that become major strategies. · Collaboration: General managers should listen to functional managers' ideas. Implementation: Play a key role in executing corporate and business-level strategies.

Network of relationship between the three levels	
Corporate Level	Decides what the business aims to achieve.
Business Level	Develops plans to execute corporate-level goals.
Functional Level	Executes the plans to achieve results.
Interlinking of Levels	All three levels are interconnected in various ways.
Organizational Choice	The organization decides the type of relationships that suit its culture and aspirations.



There are 3 major types of network relationship between the levels and also among the same levels of business:

3 MAJOR TYPES OF NETWORKS OF RELATIONSHIP BETWEEN THE LEVELS

1. FUNCTIONAL AND DIVISIONAL RELATIONSHIP

It is an indepent relationship, where each function or a division is run independently headed by the function/division head, who is a business level manager, reporting directly to the business head, who is a corporate level manager, Functions maybe like Finance, Human Resources, Marketing etc, while Divisions may depend on the products like for a toys manufacturer- kids toys, teenager toys, etc. could be divisions.

2. HORIZONTAL RELATIONSHIP

All positions, from top management to staff-lavel employees are in the same hierarchical position. it is a flat structure where everyone is considered at same level. This leads to openness and innovation. This type of relationship between levels is more suitable for startups the need to share ideas with speed is more desirable.

3. MATRIX RELATIONSHIP

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

02

CHAPTER

STRATEGIC ANALYSIS: EXTERNAL ENVIRONMENT

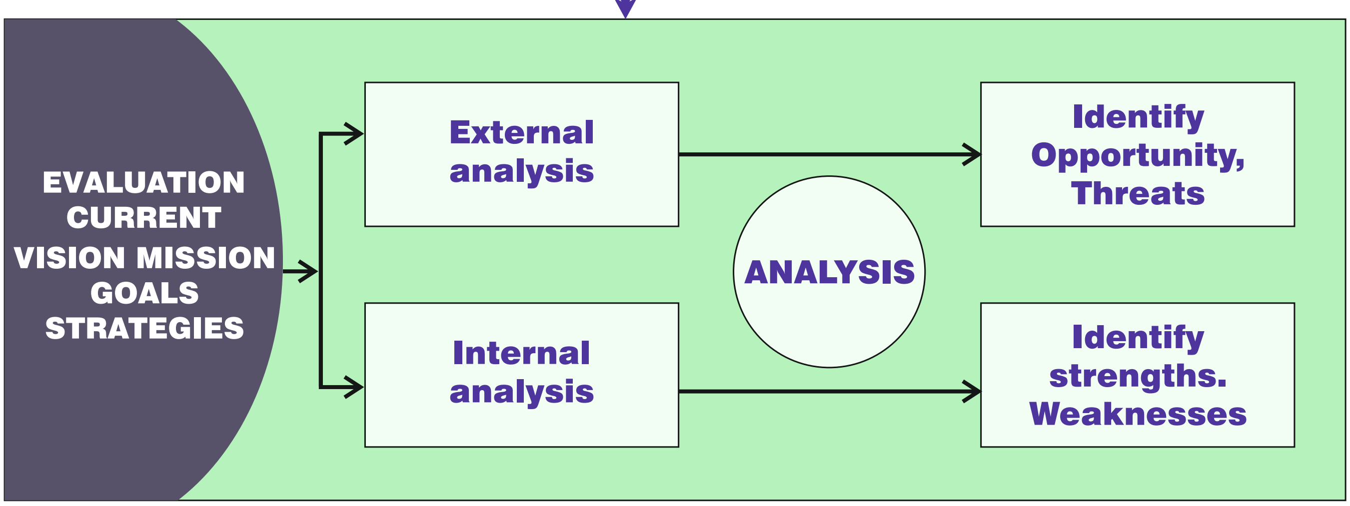
STRAGIC ANALYSIS

- Strategy formulation requires more than intuition, opinions, instincts, and creativity.
- Strategic decisions must stem from analyzing a firm's external environment and internal resources.
- Environmental scanning is ongoing, done informally by some businesses and formally by others.
- A systematic approach to environmental assessment helps manage risk and uncertainty.
- Strategic analysis, as part of business planning, ensures proper resource investment and goal achievement.
- It promotes competitive thinking and aids in evaluating business plans to stay ahead

The two important situational considerations are:

1. Industry and competitive conditions, and
2. An organisation's own capabilities, resources, internal strengths, weaknesses, and market position.

Strategic Analysis



Major limitations of strategic analysis

a. It gives a lot of innovative options but does not tell which one to pick.
b. It can be time- consuming at times, hurting overall organisational functioning.

Issues to consider for Strategic Analysis

1 Strategy evolves over a period of time
- Balance influences & constraints
- Daily decisions shape strategy
- Strategy evolves with results

2 Balance of external and internal factors:
- Balance conflicting challenges
- Weigh opportunities & constraints
- Decisions face drivers & limits
- Some factors uncontrollable

3 Risk:
- Market & economic factors impact business
- Identify & assess risks

A BROAD CLASSIFICATION OF THE STRATEGIC RISK

Sttrategic Risks

Time

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

Sttrategic Risks

External Analysis

Customer Analysis: Segments, motivations, unmet needs.

Competitor Analysis: Strategic groups performance, objectives, strategies, culture cost structure.

Environmental Analysis: Technological goverment, economic, cultural demographic.

Internal Analysis

Performance Analysis: Profitability, sales, Customer satisfaction, product qualify, relative cost, new products, human resources.

Determinants Analysis: Past and current strategies, strategic problems, organizational capabilities and constraints, financial resources, strengths, and weaknesses.

Opportunities, threats, trends, and Strategic uncertainties

Strategic strength, weaknesses, problems, constraints, and uncertainties

Strategy Identification & Selection
- Identify strategic alternatives
- Select strategy
- Implement the operating plan
- Review strategies

STRATEGY AND BUSINESS ENVIRONMENT

Resources

Strategy ⟷ **Enviroment**

Management

The business environment is highly dynamic and continuously evolving. Strategists provide an interface between the organizational abilities and the opportunities and challenges it must deal within the larger environment.

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

(I) Determine opportunities and threats	• Business-environment interaction reveals risks & opportunities • Identifies consumer needs, legal & social changes, and competitor products
(ii) Give direction for growth	• Identifies growth & expansion areas Enables strategic planning for success
(iii) Continuous Learning	• Encourages continuous learning & adaptation
(iv) Image Building	• Enhances image through environmental awareness • Demonstrates responsiveness to societal needs Builds goodwill & competitive advantage
(v) Meeting Competition	•Analyzes competitors' strategies •Helps formulate competitive strategies Aims for growth & market advantage

MICRO AND MACRO ENVIRONMENT

The environment in which an organization exists can be described in terms of the opportunities and threats operating in the external environment apart from the strengths and weaknesses existing in the internal environment.

External Environment

The external environment can be categorised in two major types as follows

A. Micro environment
B. Macro environment

A. Micro-environment

- Micro-environment affects immediate surroundings
- Directly influences the organization regularly
- Includes suppliers, consumers & competitors
- Specific to the business & its operations

The following issues need to be addressed within the micro or the immediate environment in which a firm operates:

- Employee characteristics & organization
- Existing customer base
- Financial resource options
- Supplier relationships & links
- Local community impact
- Direct competition & performance

Elements of Macro Environment

Macro environment has broader dimensions as it consists of

- Economic
- Socio-cultural
- Technological
- Political and
- Legal factors

1. Demographic Environment

- Involves developing a strategic vision, setting objectives, and crafting a strategy.
- Analysis includes race, education, assets, job, region.
- Demographic data aids businesses and economists.
- Marketers segment populations by demographic traits.
- India's young population attracts multinational interest

Considering demographics is of immense importance for any business. Business Organizations need to study different demographic factors. Particularly, they need to address following issues:

a. What demographic trends will affect the market size of the industry?

b. What demographic trends represent opportunities or threats?

Socio-Cultural Environment

- Influences all enterprises similarly.
- Includes traditions, values, literacy, ethics, and society.
- Focuses on behavior and belief systems, not demographics.
- Human relationships, attitudes, and cultural values impact businesses.
- Society's beliefs, values, and norms shape interactions.
- Core societal beliefs are persistent and hard to change.
- Businesses must adapt to social norms for success.
- Social environment affects strategy, mission, and market **decisions.**

Economic Environment

- Economic environment covers regional, national, and global conditions.
- Affects resource markets, costs, quality, and availability.
- Determines market strength and size.
- Purchasing power depends on income, prices, savings, and credit.
- Income distribution impacts business opportunities.
- Economic growth and inflation affect business operations.
- Key factors: GDP, income, trade, capital, inflation, and employment.
- Indicators show overall **economic performance.**

Political-Legal Environment

· Political-legal environment takes into account elements like:

✓The general level of political development,

✓The degree to which business and economic issues have been politicised,

✓The degree of political morality,

✓The state of law and order,

✓Political stability,

✓The political ideology and practises of the ruling party,

✓The effectiveness and purposefulness of governmental agencies, and

✓The scope and type of governmental intervention in the economy and industry.

► It is partly general to all similar enterprises and partly specific to an individual enterprise.

Business is highly guided and controlled by government policies. Hence the type of government running a country is a powerful influence on business. A business has to consider the changes in the regulatory framework and their impact on the business. Taxes and duties are other critical areas that may be levied and affect the business.

TECHNOLOGICAL ENVIRONMENT

- Technology transforms business operations and processes.
- Business and technology are interdependent.
- Enhances living standards through R&D applications.
- Reduces costs, paperwork, and improves efficiency.
- Creates new opportunities while making old products obsolete.
- Can be both an opportunity and a threat
- AI, ML, and automation reshape business strategies.

PESTLE– A tool to Analyse Macro Environment

- PESTLE analyzes macro environmental factors.
- Assesses the business environment of a firm.
- Evolved from PEST to include environmental & legal factors.

PESTLE ANALYSIS IS AN ACRONYM FOR:

1. Political,
2. Economic,
3. Socio-cultural
4. Technological
5. Legal and
6. Environmental influences (Ecological)

√ PESTLE is easy to understand and apply.
√ Encourages proactive and structured decision-making.

The Key Factors

Political	Government intervention impacts business, services, and infrastructure
Economic	Interest rates, exchange rates, and inflation influence business decisions
Social	Consumer demand and business operations depend on societal trends
Technological	Affects entry barriers, production efficiency, and innovation
Legal	Impacts operations, costs, and business feasibility.
Environmental	Climate change awareness creates and disrupts markets.

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

INTERNATIONALIZATION OF BUSINESS

- Internationalization expands markets, increases earnings, and reduces costs.
- Strategic management is similar globally but more complex.
- International strategy planning ensures a systematic approach.
- Environmental scanning helps identify global opportunities and threats.

CHARACTERISTICS OF A GLOBAL BUSINESS

To be specific, a global business has three characteristics:

1. • **Conglomerate structure:** Multiple units worldwide under common ownership
2. • **Shared resources:** Units access common funds, patents, and control systems.
3. • **Unified strategy:** Managers and shareholders operate across nations.

Developing internationally

International development is expensive and challenging. Moving on in a thorough and structured manner is thus the ideal approach to adopt.

The steps in international strategic planning are as follows	
Step 1	• **Assess global opportunities & threats** relative to internal strengths.
Step 2	• **Define scope** of global commercial operations.
Step 3	• **Establish global business objectives.**
Step 4	• **Formulate corporate strategies** for global and overall business success.

Why do businesses go global? | Reasons of Globalisation

THERE ARE SEVERAL REASONS WHY COMPANIES GO GLOBAL. THESE ARE EXPLAINED AS FOLLOWS:

No.	Reasons	Hints(for self)
1	**Need for growth:** Expanding globally helps businesses seize new opportunities.	Growth
2	**Need for growth:** Expanding globally helps businesses seize new opportunities.	Shrinking of time and distance
3	**Need for growth:** Expanding globally helps businesses seize new opportunities.	Inadequate domestic markets
4	**Need for growth:** Expanding globally helps businesses seize new opportunities.	cheaper resource
5	**Need for growth:** Expanding globally helps businesses seize new opportunities.	reducing high transportation costs
6	**Need for growth:** Expanding globally helps businesses seize new opportunities.	Growing foreign markets
7	**Need for growth:** Expanding globally helps businesses seize new opportunities.	The rise of services
8	**Need for growth:** Expanding globally helps businesses seize new opportunities.	Collapse of Trade barriers
9	**Need for growth:** Expanding globally helps businesses seize new opportunities.	strategic alliances

INTERNATIONAL ENVIRONMENT

Complex external factors: Social, political, legal, and technological challenges multiply with expansion.

Environmental assessment: First step toward internationalization.

Opportunity analysis: Identifies global market potential and feasibility.

Assessments of the international environment can be done at three levels

A.MULTINATIONAL,
B.REGIONAL, AND
C.COUNTRY.

A. MULTINATIONAL

- Global monitoring: Identifies and tracks key environmental factors.
- Government policies: Evaluates free vs. interventionist economic approaches.
- Impact assessment: Considers present and future effects on business.

B. REGIONAL, AND

- Regional analysis: In-depth study of a specific area.
- Market opportunities: Identifies potential for products and services.

C .COUNTRY

- Country analysis: In-depth study of key environmental factors.
- Key dimensions: Economic, legal, political, and cultural aspects.
- Customized approach: Tailors strategies for market entry.

UNDERSTANDING PRODUCT AND INDUSTRY

Businesses sell products. A product can be either a good or a service. It might be physical good or a service, an experience.

Business products have certain characteristics as follows

1.Products are either tangible or intangible.
Tangible products: Physical items like cars, books, and mobiles.
Intangible products: Services like telecom, banking, and insurance.

1.Product has a price.
- Businesses set product costs and prices.
- Supply and demand affect market pricing.
- Market price balances supply and demand.
- Price depends on market, quality, marketing, and target group.

1.Products have certain features that deliver satisfaction.
- A product feature meets consumer needs.
- Features influence pricing and user experience.
- Function, design, quality, and experience differentiate products.
- Customer experience from purchase to end of use matters.

1.Product is pivotal for business.
- The product is central to business strategy.
- It drives production, quality, sales, marketing, and logistics.

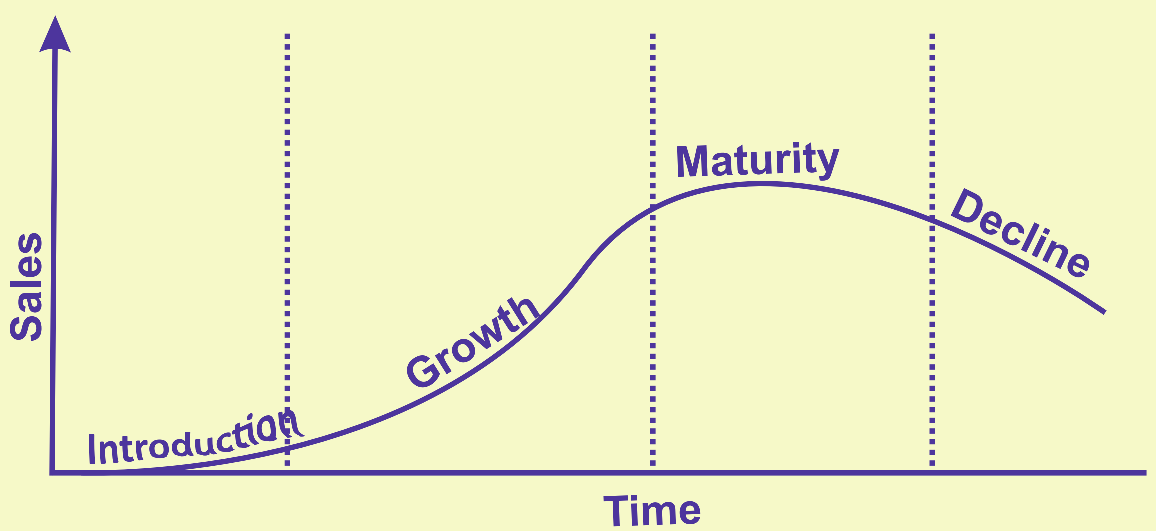
1.A product has a useful life.
- Products have a usable life and a lifecycle.
- They must be replaced or reinvented over time.
- Example: Landlines replaced by mobile phones.

Product Life Cycle

PLC is an S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction, growth, maturity, and decline.

Note: If businesses are substituted for product, the concept of PLC could work just as well.

First stage	**Introduction stage**	•Slow sales growth •Competition is almost negligible •Prices are relatively high •Markets are limited **The growth in sales is at a lower rate because of lack of awareness on the part of customers.**
Second phase	**Growth stage**	•Growth stage •Demand expands rapidly, •Prices fall, •Competition increases, and •Market expands
Third phase	**Maturity stage**	•Slowdown in growth rate •Competition gets tough, •Market gets stablised, •Profit comes down because of stiff competition. **At this stage, organisations have to work for maintaining stability**
Fourth stage	**Decline**	•Sharp downward drift in sales •The sales and profits fall down sharply due to some new product replaces the existing product. **Combination of strategies can be implemented to stay in the market either by diversification or retrenchment.**



ADVANTAGE OF PLC:

- PLC helps analyze product/business portfolios.
- Identifies the stage of each product.
- Enables appropriate strategic actions.

FOR INSTANCE:

Introductory and growth stages: Expansion
Maturity: Mature businesses may be used as sources of cash for investment in other businesses.
Decline: A combination of strategies like selective harvesting, retrenchment, etc.

VALUE CHAIN ANALYSIS

- Higher value generation leads to higher profits.
- Value chain analysis evaluates value creation in a business.
- It improves operations, efficiency, and competitiveness.
- Applicable to all business sizes.
- Helps assess competitive strength and value-for-money.
- Initially used in accounting to optimize manufacturing costs.
- Michael Porter linked it to competitive advantage.

√Organizations are more than just resources.
√Value comes from structured activities and systems.
√Effective deployment ensures valuable products/services.

A.Primary activities
B.Support activities

A.Primary activities:

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

I. Inbound logistics,
II. Operations,
III. Outbound logistics,
IV. Marketing and sales, and
V. Service

I.	Inbound logistics	Receiving, storing, and distributing inputs.
II.	Operations	Interest rates, exchange rates, and inflation influence business decisions
III.	Outbound logistics	Collecting, storing, and delivering products.
IV.	Marketing and sales	Creating awareness and enabling purchases.
V.	Service	Enhancing or maintaining product/service value.

A.Support activities:

These can be divided into four areas;

I.Procurement
II.Technology development
III.Human resource management
IV.Infrastructure

I.	Procurement	Acquiring resources for primary activities.
II.	Technology development	Enhancing products, processes, and resources.
III.	Human resource management	Recruiting, training, and rewarding employees.
IV.	Infrastructure	Planning, finance, quality control, and organizational culture.

INDUSTRY ENVIRONMENT ANALYSIS

- o Industry analysis provides strategic insights into market conditions and profitability.
- o Utilizes various methods to assess competition, key drivers, and market positions.
- o Aims to understand internal and external factors affecting business performance.
- o Helps align strategies with evolving industry trends and realities.

Porter's Five Forces Model

- ○ Businesses operate in a competitive environment that requires strategic adaptation.
- ○ Porter's Five Forces help identify key competition sources in an industry.
- ○ Understanding industry forces aids in refining strategies and improving profitability.
- ○ Strong positions can be leveraged, while weak ones can be improved to avoid risks.
- ○ Competitive advantage is shaped within industries, where firms directly compete.
- ○ Each industry has unique competitive dynamics, requiring tailored analysis.

The model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

1. Competitive pressures associated with the market manoeuvring and jockeying for buyer patronage that goes on among rival sellers in the industry.
2. Competitive pressures associated with the threat of new entrants into the market.
3. Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.
4. Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.
5. Competitive pressures stemming from buyer bargaining power and seller- buyer Collaboration.

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

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

1.The Threat of New Entrants

- New entrants increase supply, lower prices, and reduce industry profitability.
- They introduce new competition, creating pressure on existing firms.
- Larger entrants intensify competition, impacting market dynamics.
- They limit pricing power, affecting profitability of established players.
- Higher barriers to entry protect firms and maintain profitability.
- Existing firms can deter entry by raising structural and strategic barriers.

Barriers to entry

Barriers to entry represent economic forces (or 'hurdles') that slow down or impede entry by other firms. Common barriers to entry include:

(I) Capital requirements,
(ii) Economies of scale,
(iii) Product differentiation,
(iv) Switching costs,
(v) Brand identity,
(vi) Access to distribution channels and
(vii) Possibility of aggressive retaliation by existing players.

(I)	Capital Requirements	High capital requirements prevent financially limited firms from entering an industry, benefiting existing firms by reducing competition. Capital-intensive sectors like manufacturing and telecom see fewer new entrants.
(ii)	Economies of Scale	Lower costs at high volumes deter new entrants.
(iii)	Product Differentiation	Unique features create barriers, making entry costly for newcomers.
(iv)	Switching Costs	High switching costs deter customers from adopting new entrants.
(v)	Brand Identity	Strong brand identity creates entry barriers for new firms.
(vi)	Accessto Distribution Channels	Control over distribution channels limits new entrants' market access.
(vii)	Possibility of Aggressive Retaliation	Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry. Example: **Introduction of products by a new firm may lead incumbents firms to reduce their product prices and increase their advertising budgets.**

2.Bargaining Power of Buyers

Buyer groups or cartels increase pressure on producers, especially in industrial products.

They can influence prices, costs, and investments by demanding better services.

Powerful buyers negotiate lower prices or improved services, impacting producer profitability.

This leverage is particularly evident when

(I)

Buyers have full knowledge of the sources of products and their substitutes.

(II)

They spend a lot of money on the industry's products i.e. they are big buyers.

(III)

the industry's product is not perceived as critical to the buyer's needs and buyers are more concentrated than firms supplying the product. They can easily switch to the substitutes available.

3.Bargaining Power of Suppliers

Suppliers hold significant bargaining power over companies.

Specialized offerings and limited supplier options increase their influence

Supplier power impacts raw material costs, industry attractiveness, and profitability.

Suppliers can influence the profitability of an industry in a number of ways. Suppliers can command bargaining power over a firm when:

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

4. THE NATURE OF RIVALRY IN THE INDUSTRY

- Rivalry among existing players defines competition.
- Competitors influence strategic decisions, pricing, advertising, and costs.
- Intense rivalry impacts supplier costs, distribution, and profitability.
- Higher rivalry reduces industry attractiveness.

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

(I) **Industry Leader**
(ii) **Number of Competitors**
(iii) **Fixed Costs**
(iv) **Exit Barriers**
(v) **Product Differentiation**
(vi) **Slow Growth**

Industry Leader	Strong industry leaders can discourage price wars.
Number of Competitors	Leaders with financial strength outlast smaller rivals in price wars.
Fixed Costs	More rivals reduce a leader's pricing influence.
Exit Barriers	High fixed costs push firms to cut prices, lowering profitability.
Product Differentiation	Fewer exit barriers lead to higher profitability.
Slow Growth	Exit barriers discourage firms from leaving, intensifying competition.

5. Threat of Substitutes

- Substitute products create hidden competition in an industry.
- Substitutes with better price or performance can disrupt industries.
- High R&D investment increases the threat of substitutes.
- Substitutes limit industry prices and profits.
- Firms must identify products with similar functions to predict threats.
- Examples: Real estate, insurance, and bonds substitute common stocks.
- The five forces determine industry profitability by shaping key cost and investment factors.
- The impact of these forces varies across industries.

Attractiveness of Industry

- Industry analysis identifies key issues and determines industry attractiveness.
- Strategists assess whether an industry offers viable growth and profitability.
- Companies must carefully choose industries before investing capital.

Key factors for industry evaluation

A. Growth potential and long-term viability.
B. Competitive intensity and its impact on profitability.
C. Influence of driving forces on industry profitability.
D. Organization's competitive position and future prospects.
E. Opportunities to exploit weaker rivals' vulnerabilities.
F. Ability to counteract industry challenges.
G. Risks and uncertainties in the industry's future.
H. Severity of industry-wide issues.
I. Contribution to success in other business ventures.

Factors influencing the experience curve include

- Learning effects
- Economies of scale
- Product redesign
- Technological improvements in production

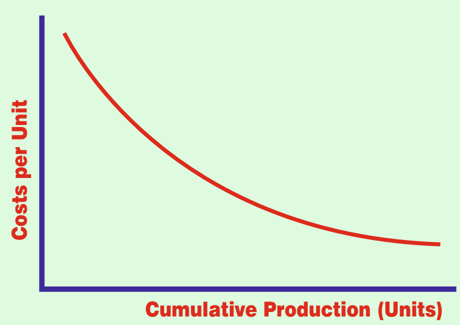
Features of Experience curve:

a) As business organisation grow, they gain experience.

b) Experience may provide an advantage over the competition. Experience is a key barrier to entry.

c) Large and successful organisation possess stronger "experience effect".

Experience curve



As a business grows, it understands the complexities and benefits from its experiences.

HOW EXPERIENCE CURVE IS RELEVANT IN STRATEGIC MANAGEMENT, LIKE::

- The concept of experience curve is relevant for a number of areas in strategic management.
- Experience curve is considered a barrier for new firms contemplating entry in an industry.
- It is also used to build market share and discourage competition.

Example: In the contemporary Indian automobile industry, the experience curve phenomenon seems to be working in Maruti Suzuki. The likely strategic choice for competitors can be a market niche approach or segmentation based on demography or geography.

VALUE CREATION

- Value creation focuses on delivering products/services with higher worth to customers.
- Value is determined by features, quality, availability, durability, and performance.
- Firms create value by enhancing goods, services, or business processes.
- Businesses prioritize value creation for both customers and stakeholders.
- It provides a competitive advantage, leading to superior profitability

AT THE MOST BASIC LEVEL, HOW PROFITABLE A COMPANY BECOMES DEPENDS ON THREE FACTORS

- The value customers place on the company's products.
- The price that a company charges for its products.
- The costs of creating those products.

MARKET AND CUSTOMER

Market

- A market is where buyers and sellers exchange goods and services.
- It can be physical (stores) or virtual (online platforms).
- Markets include stock exchanges, commodity markets, and industry-specific sectors.
- Examples: grain markets for farmers, the global oil market.
- Marketing involves research, design, pricing, promotion, and distribution.

The orientation of product marketing has evolved and acquired different dimensions centred around product, production, sales and customers.

PRODUCT ORIENTATION

- **Businesses that have product orientation think that buyers will choose those products that have the best quality, performance, design, or features.**

PRODUCTION- ORIENTATION

- **Production- oriented businesses believe that customers choose low price products.**

SALES- ORIENTATION

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

CUSTOMER ORIENTATION

- A market-oriented approach prioritizes customer needs.
- Businesses gather and use customer and competitive data.
- Customer-centric companies adapt to market dynamics.
- Success today often depends on customer-focused strategies.

CUSTOMER

- A customer purchases products or services from a business.
- Customers generate revenue, making them essential for businesses.
- Businesses attract customers through marketing and competitive pricing.
- Customers are categorized by demographics to refine targeting.

CUSTOMER ANALYSIS

- Customer analysis identifies target clients and their needs.
- It involves surveys, data analysis, and market positioning.
- Customer profiling helps understand demographics and preferences.
- Various stakeholders contribute to assessing consumer needs.

CUSTOMER BEHAVIOUR

- Customer behavior explains purchasing patterns and preferences.
- It examines shopping frequency, product choices, and brand perception.
- Understanding behavior helps businesses communicate effectively.
- It aids in marketing, product development, and customer retention.

Consumer behaviour may be influenced by a number of things. These elements can be categorised into the following three conceptual domains:

1. **External Influences:** Ads, peer recommendations, and social norms impact consumer choices.
2. **Internal Influences:** Psychological factors like motivation and attitudes shape decisions.
3. **Decision Making:** Consumers seek information, compare options, and make rational choices.

➢ Stages of Decision Making:

I. Recognizing a need or desire.	**ii. Searching for alternatives.**	**iii. Gathering and evaluating information.**	**iv. Making a final choice.**

➢ **Post-Decision Process:** Satisfaction leads to repeat purchases, while dissatisfaction discourages future buying.

COMPETITIVE STRATEGY

➢ Competition is central to economic systems and businesses.
➢ Businesses compete for resources and customers, driving quality and innovation.
➢ Competitive strategy focuses on gaining and sustaining an edge over rivals.
➢ Strategy analysis involves creating and protecting competitive advantage.
➢ Porter's Five Forces help assess market competition effectively.

COMPETITIVE LANDSCAPE

- ➢Competitive landscape identifies direct and indirect competitors.
- ➢Understanding competitors involves analyzing their vision, mission, values, and market position.
- ➢Competitive intelligence helps assess rivals' strengths and weaknesses.
- ➢Analyzing competition enables firms to develop effective strategies.
- ➢Building competitive advantage requires deep insight into the market landscape.

STEPS TO UNDERSTAND THE COMPETITIVE LANDSCAPE

1.Identify the competitor: Determine industry competitors and analyze their market share.

Key Question: Who are the competitors, and how big are they?

2.Understand the competitors: Use market research, media, and reports to study their products and services.

Key Question: What are their products and services?

3.Determine competitor strengths: Analyze their financial position, marketing strategies, and customer appeal.

KEY QUESTIONS:

√ What are their financial positions?

√ What gives them a cost and price advantage?

√ What are they likely to do next?

√ How strong is their distribution network?

√ What are their human resource strengths?

1.Determine competitor weaknesses: Identify gaps through reviews, reports, and financial statements.

Key Question: Where are they lacking?

1.Put all information together: Identify opportunities to differentiate and improve business strategies.

Key Questions:

√What will the business do with this information?

√What improvements does the firm need to make?

√How can the firm exploit the weaknesses of competitors?

KEY FACTORS FOR COMPETITIVE SUCCESS

Category	Description
Definition	KSFs are critical elements—strategy, product attributes, resources, competencies, and competitive capabilities—that determine success or failure in an industry.
Importance	Every industry player must focus on KSFs to remain competitive.
Key Questions to Identify KSFs	1. Customer Preferences – What product attributes drive sales? 2. Competitive Capabilities – What resources (human capital, product quality, cost, service) are essential? 3. Sustainable Advantage – What ensures long-term competitiveness?
Example (Apparel Industry)	KSFs: Appealing designs & color combinations (buyer interest) + Low-cost manufacturing efficiency (affordable pricing & profit margins).
Gaining Competitive Advantage via KSFs	•Understanding & excelling at KSFs enhances market position. •Misjudging KSFs leads to flawed strategies. •Companies focusing on specific KSFs gain sustainable competitive advantage.
Evolving Nature of KSFs	•Industries rarely have more than 3-4 KSFs at a time. •Some factors are more critical than others. •KSFs change as market dynamics shift.
Purpose of Identifying KSFs	•Prioritize critical success elements. •Avoid focusing on too many factors. •Drive long-term strategic success.

3

CHAPTER

STRATEGIC ANALYSIS: INTERNAL ENVIRONMENT

STRATEGIC ANALYSIS IS EQUALLY IMPORTANT WHEN IT COMES TO INTERNAL ENVIRONMENT ASSESSMENT

Internal environment

Internal environment refers to

* Sum total of individuals and groups
* Stakeholders influencing organizational functions
* Input-throughput-output process framework
* Space, equipment, and work conditions
* Authority, power, and accountability structure
* Relationships, values, ethics, and philosophy

It is

* specific to each organisation.
* based on its structure and business model
* includes all stakeholders like top management, investors, employees, board of directors, investors, etc.

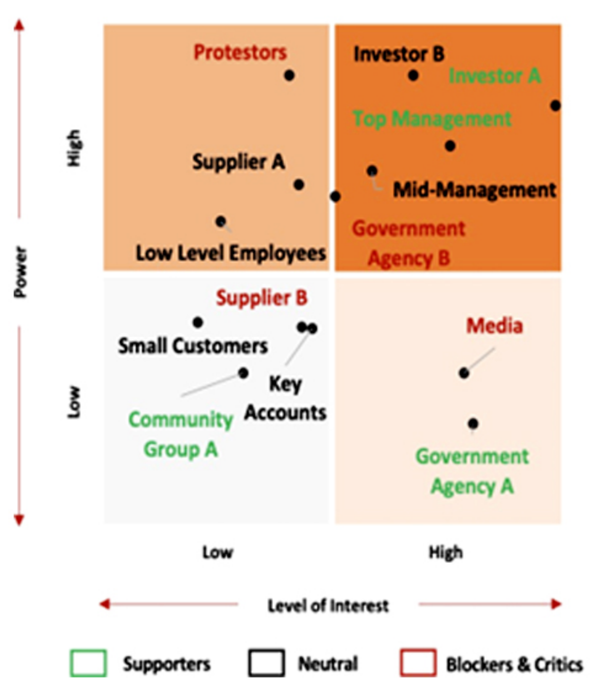
UNDERSTANDING KEY STAKEHOLDERS

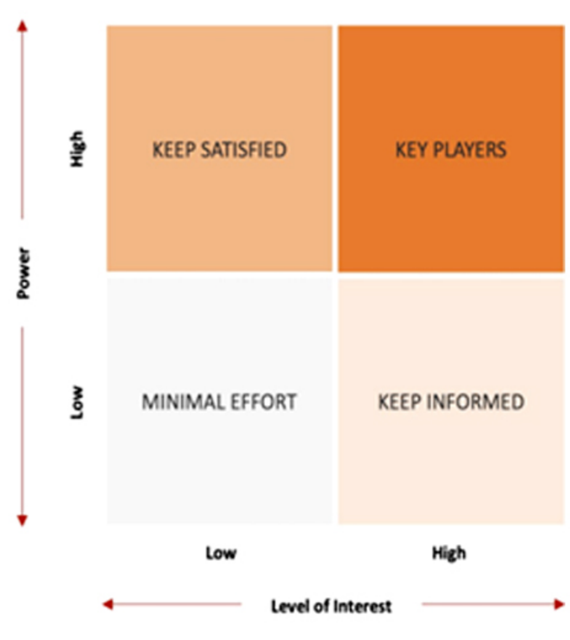
Who are Stakeholders and how do we identify them?

*Stakeholders influence and are impacted by business.
*Includes employees, investors, suppliers, and customers.
*Can be internal or external to the business.
*Affect corporate strategy and organizational performance.
*Management, customers, and vendors are key stakeholders.
*Governments, unions, and local groups may be stakeholders.
*Business decisions impact stakeholders differently.
*Identifying key stakeholders is essential for strategy.
*Stakeholders vary in influence and level of interest.
*Healthcare innovation needs a long-term ROI view.
*Shareholders may prefer quicker financial returns.

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

MENDELOW'S MATRIX





MENDELOW'S MATRIX

- Mendelow Matrix helps manage key stakeholders.
- Also called Stakeholder Analysis or Power-Interest Matrix.
- Project management involves balancing stakeholder interests.
- Clarifies who needs information, feedback, and approvals.
- Stakeholder management is crucial for project success.
- Mendelow's Matrix simplifies stakeholder analysis.

Mendelow suggests that one should analyse stakeholder groups based on

POWER: The ability to influence organisation strategy or resources

& **INTEREST:** how interested they are in the organisation succeeding.

- A thing to remember is that all stakeholders may seem to have lots of power and organisation may hope they would have lots of interest too. But in reality, some stakeholders will hold more Power than others, and some stakeholders will have more Interest than others.

Example: A big shareholder is likely to have high power and high interest in the organisation, whereas a big competitor would have high power to impact strategy, but potentially less Interest in success of rival organisation.

DEVELOPING A GRID OF STAKEHOLDERS

* Mendelow's Matrix is based on Power and Interest. It suggests identifying which stakeholders are incredibly important.

KEEP SATISFIED

Consult often increase their interest

Can be hindrance to new ideas or strategic choices

KEY PLAYER

Manage Closely

Involve in decision making

Engage regularly and buildstrong relationship

LOW PRIORITY

Monitor Only, no engagement

General occasional

Communication

KEEP INFORMED

Utilise the high interest by engaging decisions

Consult in their areas of expertise and interest

Low | Interest in the Organisation | High

Mendelow's categorizes stakeholders into four groups

A.	**KEEP SATISFIED Stakeholders**	Highpower,less interested people	Organizations should regularly update key stakeholders to keep them satisfied with relevant information. Examples include banks, government agencies, and customers.
B.	**KEY PLAYERS Stakeholders**	High power, highly interested people:	Organizations must fully engage influential stakeholders, take their advice seriously, implement actions, and keep them informed.Examples include shareholders, CEOs, and boards of directors.
C.	**LOW PRIORITY Stakeholders**	Lowpower,less interested people:	Some stakeholders require monitoring with minimal effort, as their expectation s do not need active fulfillment. However, their power or interest levels should be observed. Examples include business magazines and media houses.
D.	**KEEP INFORMED Stakeholders**	Low power, highly interested people:	Organizations should inform and communicate with certain stakeholders to prevent issues and gather real-time feedback for improvement. Examples include employees, vendors, suppliers, and legal experts.

Movement of stakeholders between Quadrants:

An important thing that strategists should be aware of, is the importance to remember that environment is highly dynamic and certain things might happen that can cause stakeholders to suddenly move between quadrants.

STRATEGIC DRIVERS

- Assessing current performance is key to internal analysis.
- Strategic drivers identify competitive differentiation.
- Analysis includes markets, customers, products, and channels.
- Competitive advantage hapes business positioning.
- Performance assessment varies by management approach.
- Metrics can be profit-driven, purpose-driven, or others.

In general, the key strategic drivers of an organisation include:

a) Industry and markets

b) Customers

c) Products/services

d) Channels

A) INDUSTRY AND MARKETS

Industry

• Similar companies aregrouped into industries.

•Industry grouping is based on the primary product that a company makes or sells.

Example: Maruti, Mahindra, Tata Motors, TVS, Bajaj Auto, are all selling automotive as their primary product and thus categorised into Automotive Industry.

Example: Zara, H&M, Marks & Spencer, Pantaloons, Westside, Uniqlo, are all selling apparels and accessories for the youth, and thus categorised under apparels industry.

MARKET

- A market includes all buyers and sellers.
- Prices depend on supply and demand forces.
- Markets can be physical or virtual platforms.
- Can be local or global based on reach

IS MARKET THE SAME FOR ALL BUSINESSES?

- A market consists of buyers and sellers of a product.
- Markets differ for each business and product.
- Every business has its unique customer base
- Each product within a business has its own market.

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

Strategic Group Mapping:

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

- A strategic group includes firms with similar market positions.
- Companies may share product range, pricing, or distribution.
- An industry has one strategic group if strategies align.
- Many strategic groups exist when competitors differ.

The procedure for constructing a strategic group map and deciding which firms belong in which strategic group is straightforward:

1. Identify the competitive characteristics that differentiate firms in the industry typical variables are price/quality range (high, medium, low); geographic coverage (local, regional, national, global); degree of vertical integration (none, partial, full); product-line breadth (wide, narrow); use of distribution channels (one, some, all); and degree of service offered (no-frills, limited, full)
2. Plot the firms on a two-variable map using pairs of these differentiating characteristics.
3. Assign firms that fall in about the same strategy space to the same strategic group.
4. Draw circles around each strategic group making the circles proportional to the size of the group's respective share of total industry sales revenues.

B) CUSTOMERS

- Customers have varied needs and require different sales models.
- Tracking customer data helps analyze trends and profitability.
- Identifying issues aids in targeting growth opportunities.

CUSTOMER VS CONSUMER

- A customer buys, while a consumer uses the product.
- A customer can also be a consumer.
- Pricing focuses on customers, usability on consumers.

Example: A parent buying stationery products for their kids might be the customers, but consumers of stationery are the kids who would actually use it.

C) PRODUCT/SERVICES

- A product combines goods and services for the market.
- Strategies manage products over time, adding or dropping them.
- Branding, packaging, and warranties require strategic decisions.
- Products are classified as industrial, consumer, essential, or luxury.
- Quality and demand vary, requiring dynamic strategies.
- Differentiation is based on features like size, packaging, and service.
- Companies create a unique image for their products.
- Differentiation can be real, psychological, or brand-driven.
- Brand names help customers recognize products and companies.
- Advertising builds brand identity and firm reputation.
- Strong brand loyalty develops over time.

Pricing strategy for entering market: Objectives to consider:

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:

(A) Have customer-centric approach while making a product.

(B) Produce sufficient returns through a reasonable margin over cost.

(C) Increasing market share.

MARKETING STRATEGIES

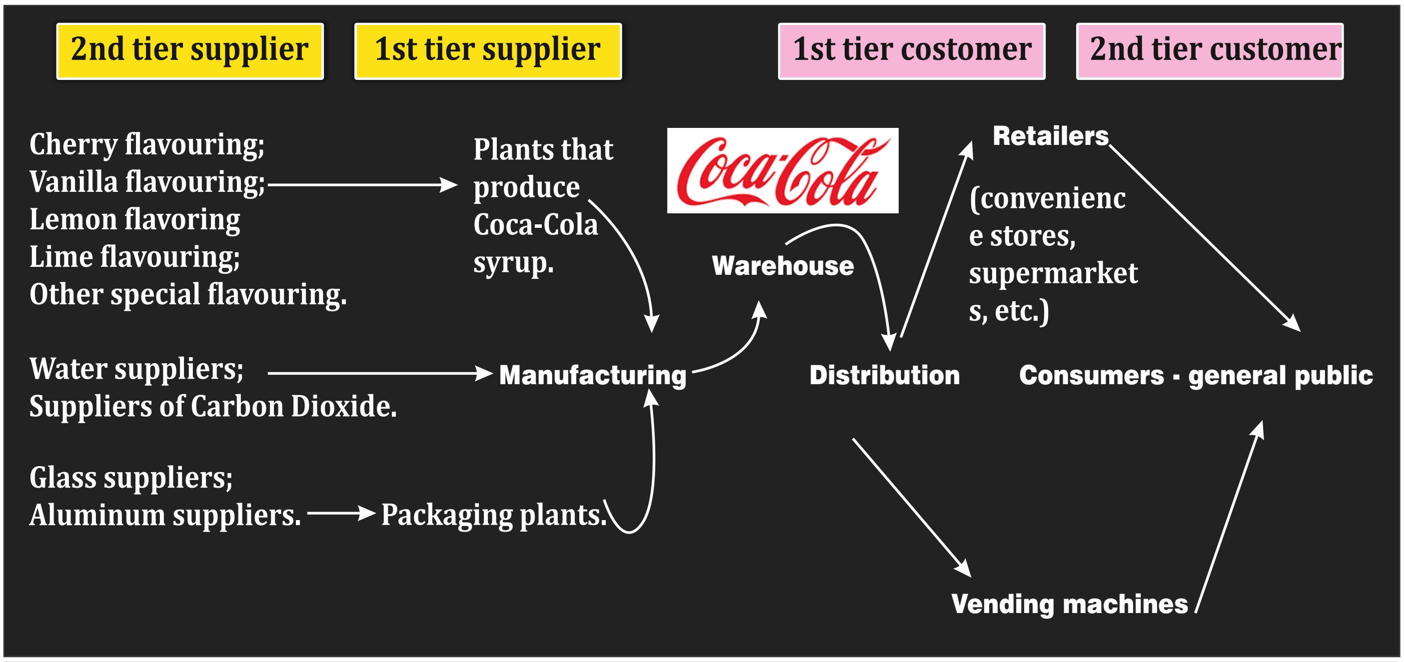
STRATEGY	DESCRIPTION	EXAMPLES
1. Social Marketing	• Designing and implementing programs for social change.	• Anti-smoking campaign in Delhi highlights no-smoking zones and health risks.
2. Augmented Marketing	• Enhancing customer experience beyond core products.	• Introduction of hi-tech services like movies on demand and online repairs.
3. Direct Marketing	• Direct advertising prompting immediate consumer response.	• Catalogue selling, e-marketing, and TV shopping for direct sales.
5. Relationship Marketing	• Building and maintaining strong stakeholder relationships.	• Airlines provide exclusive lounges for frequent flyers.
6. Services Marketing	• Applying marketing concepts specifically to services.	• Uber connects drivers and customers via mobile apps.
7. Person Marketing	• Promoting individuals to shape public perception.	• Celebrities and politicians market themselves for votes or career growth.
8. Organization Marketing	• Influencing attitudes towards organizations, profit or non-profit.	Green initiatives
9. Place Marketing	• Marketing places for business, tourism, and development.	Vibrant Gujarat
10. Enlightened Marketing	• Ensures long-term marketing success with customer-oriented, innovative, value, mission-driven, and societal marketing.	Dove's "Real Beauty" campaign
10. Differential Marketing	• Targets multiple market segments with distinct offerings.	• HUL offers Lifebuoy, Lux, and Rexona in popular and Dove, Pears in premium segments.
11. Synchro- marketing	• Uses flexible strategies to manage fluctuating demand.	• Movie tickets are priced lower on weekdays to boost demand.
12. Concentrated Marketing	• Focuses on capturing a large share of niche markets.	• Munchkin specializes in infant and toddler products.
13. Demarketing	• Adjusts demand without eliminating it during high demand.	• Demarketing regulates demand for buses, roads, and parks.

A) CHANNELS

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

CHANNELS: How companies distribute their products and services;

- **Lakme:-** Sells its products via retail stores, intermediary stores (like Nykaa, Westside, and Reliance Trends), as well as online mode like amazon, Flipkart, nykaa online and its own website.
- **Boat Headphones:-** Only online via e-commerce platforms like flipkart and amazon
- **Coca Cola:-** Retail shops across the nation, in each district, each town as well as online mode via dunzo, blinkit, etc.



The wider and stronger the channel the better position a business has to fight and win over competition. Also, having robust channels of business distribution help keep new players away from entering the industry, thus acting as barriers to entry.

Channels

There are typically three channels that should be considered:

1. Sales channel
2. Product channel
3. Service channel

1. Sales channel: Intermediaries sell the product to end users.

Example: Fashion designers use agencies to reach retailers.

2. Product channel: Intermediaries handle product movement from producer to user.

Example: Australia Post delivers online purchases.

2. Service channel: Entities provide support services for sales and post-purchase.

Example: Bosch dishwashers are installed by contracted plumbers.

CHANNEL ANALYSIS

- Channel analysis is important when the business strategy is to scale up and expand beyond the current geographies and markets.
- When a business plans to grow to newer markets, they need to develop or leverage existing channels to get to new customers. Thus, analysis of channels that suit one's products and customers is of utmost importance.

Healthcare brands should focus on offline channels for elderly customers.

Example: Agents physically reach out as many elderly are not smart phone users.

New drink brands should use multiple channels for visibility.

Example: Placing drinks in stores, running social media campaigns, and promotions.

ROLE OF RESOURCES AND CAPABILITIES: BUILDING CORE COMPETENCY

- Core competency is collective learning integrating skills and technologies.
- Organizational expertise combines technology, management, and experience for an advantage.
- Competency is a mix of skills and techniques, not isolated abilities.
- Core competency integrates multiple skills across the organization.
- It requires a blend of various capabilities, not just one.
- Defined as 5-15 key areas of developed expertise.

AREAS IN WHICH MAJOR CORE COMPETENCIES ARE IDENTIFIED

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

(1) Competitor differentiation,

(2) Customer value, and

(3) Application to other markets

(1) COMPETITOR DIFFERENTIATION

- Core competence is unique and hard to imitate.
- Gives competitive edge over market rivals.
- Ensures better products/services with minimal risk of copying.
- Requires continuous improvement to maintain an advantage.
- Doesn't need exclusivity but must outperform competitors.

Example: It is quite difficult to imitate patented innovation, like Tesla has been winning over competition in electric vehicles.

(2) CUSTOMER VALUE

- Core competence must deliver fundamental customer benefits.
- Includes necessary skills to provide those benefits.
- Must create real impact influencing purchase decisions.
- Without impact, it]won't strengthen market position.
- Consumer must value differentiation for itto be meaningful.

(3) APPLICATION OF COMPETENCIES TO OTHER MARKETS

- Core competence applies to the entire organization.
- A single skill isn't core competence if not fundamental.
- It's a unique expertise enabling market expansion.

CRITERIA FOR BUILDING CORE COMPETENCE(CC)

Four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are core competencies are:

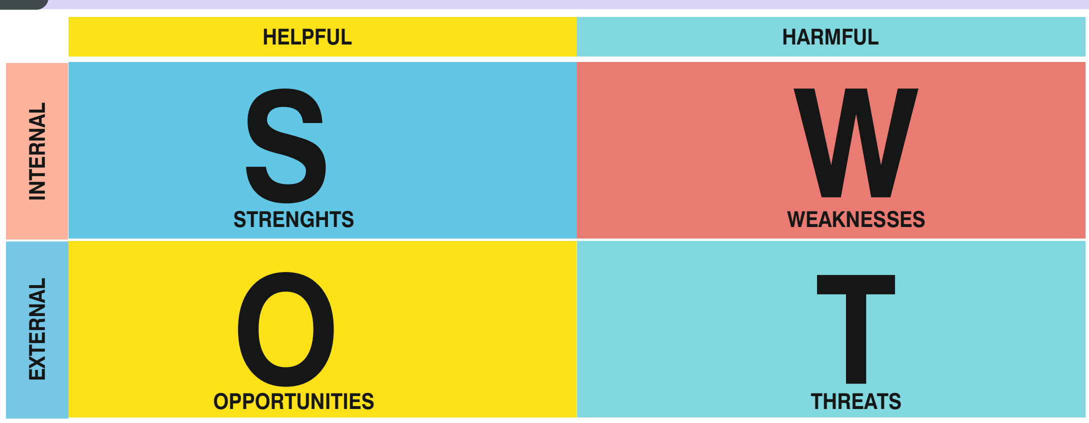
- (1) VALUABLE
- (2) RARE
- (3) COSTLY TO IMITATE
- (4) NON-SUBSTITUTABLE

1. Valuable	• aluable capabilities help exploit opportunities and mitigate threats. • Firms create value by leveraging capabilities effectively. • Finance companies develop strong expertise in financial services. • Success depends on placing the right people in key roles. o • Human capital is crucial for delivering customer value.
2. Rare	o Core competencies are very rare capabilities and very few of the competitors possess this. o 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.
3. Costlyto imitate	o Costly to imitate means such capabilities that competing firms are unable to develop easily. 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.
4. Non-substitutable	o Capabilities that do not have strategic equivalents are called non- substitutable capabilities. o 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.

COMBINING EXTERNAL AND INTERNAL ANALYSIS (SWOT ANALYSIS)

SWOT ANALYSIS

SWOT Analysis:	Evaluates strengths, weaknesses, opportunities, and threats for strategic decision-making.
Purpose:	Identifies internal and external factors influencing business performance.
Application:	Used for planning, policy changes, and growth strategies.
Outcome:	Helps leverage strengths/opportunities to counter weaknesses/threats.
Benefit:	Ensures adaptability and continuous improvement.



EXAMPLE

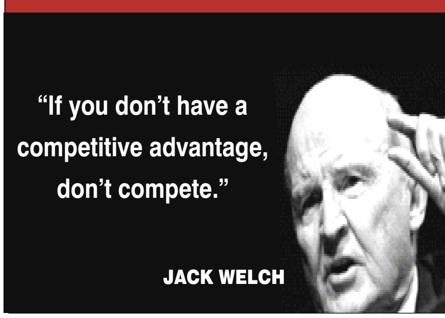
STRENGTHS
- Low Salary and Benefits overhead
- Quick to respond to market changes
- Light weight and flat hierarchy resulting quicker decision making

WEAKNESSES
- Existing workload too high
- No previous project planning experiences
- Missing expertise in some areas

OPPORTUNITIES
- Need to increase markert share
- Could convert existing products fot new markets

THREATS
- Business partners has little loyality
- Larger competitors get majority of market share and more famous brand name
- Cost of technology investment

COMPETITIVE ADVANTAGE: USING MICHAEL PORTER'S GENERIC STRATEGIES



- Achieving superior performance relative to rivals is the ultimate challenge for companies.
- When a company's strategies result in superior performance, it gains a competitive advantage.
- Strategic management focuses on developing competencies that help organizations perform better.
- A firm gains an edge over rivals by offering unique and superior features.
- Competitive advantage exists when a company's profitability exceeds the industry average.
- It is maintained when competitors fail to duplicate or find imitation too costly.
- Success is confirmed only when rival firms cannot replicate the advantage.

Sustainability of Competitive Advantage- Characteristics of Resources & Capabilities

The sustainability of competitive advantage and a firm's ability to earn profits from its competitive advantage depends upon four major characteristics of resources and capabilities:

1. Durability
2. Transferability
3. Imitability
4. Appropriability

1.DURABILITY

- The sustainability of a competitive advantage depends on how quickly a firm's resources and
- capabilities deteriorate.
- In fast-paced industries, product patents may become obsolete due to rapid innovation.
- Capabilities tied to a CEO's expertise are at risk when leadership changes.
- However, strong consumer brand names often retain long-lasting appeal.

1.TRANSFERABILITY

- Competitive advantage, even if based on durable resources and capabilities, is vulnerable to erosion by rivals.
- Competitors can challenge a firm's position if they gain access to similar resources and capabilities.
- The more easily resources and capabilities can be transferred between firms, the less sustainable the advantage becomes.

1.IMITABILITY

- If resources and capabilities cannot be purchased, competitors must develop them from the ground up.
- The true test of imitability lies in how easily and quickly rivals can replicate these advantages. For instance, financial service innovations are often unprotected and easily copied.
- The complexity of organizational capabilities, especially those tied to corporate culture and internal routines, makes imitation challenging, offering a competitive defense.

APPROPRIABILITY

- Appropriability refers to a firm's ability to capture the returns generated by its resources.
- Even if resources and capabilities provide a sustainable advantage, the key question is who benefits from these returns.
- Rewards should flow back to those who invested capital rather than creating an advantage with no tangible benefit for investors.

MICHAEL PORTER'S GENERIC STRATEGIES

According to Porter

Strategies allow organizations to gain competitive advantage from three different bases

1.Cost leadership

2.Differentiation

3.Focus

PORTER STRESSES

A. Sharing Opportunities: Evaluating cost-benefit analysis for resource sharing enhances competitive advantage through cost reduction or differentiation.

B. Transfer Skills & Expertise: Effective skill transfer across business units strengthens competitive advantage in cost leadership, differentiation, and focus.

1. COST LEADERSHIP STRATEGY

- A low-cost strategy targeting a broad market through cost reduction in procurement, production, storage, and distribution.
- Cost leaders can charge lower prices while maintaining profitability due to lower costs.
- Example: McDonald's and Decathlon use cost leadership to gain market dominance.
- Integration strategies (forward, backward, horizontal) help achieve cost leadership.

Cost leadership is most effective when combined with differentiation.A number of cost elements affect the relative attractiveness of this strategy including:

- Economies or diseconomies of scale achieved
- Learning and experience curve effects
- The percentage of capacity utilization achieved
- Linkages with suppliers and distributors.
- Potential for sharing costs and knowledge within the organization
- R&D costs associated with new product development or modification of existing products
- Labour costs
- Tax rates
- Energy costs
- Shipping costs.

This internal strategy of sharing resources to build a competitive advantage is called synergy benefit.

Striving to be a low-cost producer in an industry can especially be effective

When the market is composed of many price-sensitive buyers.	When there are few ways to achieve product differentiation.	When buyers do not care much about differences from brand to brand	When there are a large number of buyers with significant bargaining power.

Essentials/Characteristics of Cost Leadership Strategy

A successful cost leadership strategy usually permeates the entire firm, as evidenced by;

- ✓ High efficiency
- ✓ Low overheads
- ✓ Limited perks
- ✓ Intolerance of waste
- ✓ Intensive screening of budget requests
- ✓ Wide span of controls
- ✓ Rewards linked to cost containment
- ✓ Broad employee participation in cost control efforts.

RISKS OF PURSUING COST LEADERSHIP

RISKS OF PURSUING COST LEADERSHIP

I.Competitors may imitate the strategy, reducing industry profits.

ii.Technological advancements can render the strategy ineffective.

iii.Buyer preferences may shift toward differentiation beyond price.

ACHIEVING COST LEADERSHIP STRATEGY

TO ACHIEVE COST LEADERSHIP, FOLLOWING ACTIONS COULD BE TAKEN

- Forecast demand accurately.
- Utilize resources optimally for cost advantages.
- Achieve economies of scale for lower per-unit costs.
- Standardize products for mass production.
- Invest in cost-saving and advanced technologies.
- Resist differentiation unless essential.

ADVANTAGES OF COST LEADERSHIP STRATEGY

A cost leadership strategy may help to remain profitable even with rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

1. Rivalry	► **Competitors avoid price wars as low-cost firms remain profitable.**
2. Buyers	► **Powerful buyers cannot exploit cost leaders and continue purchasing.**
3. Suppliers	► **Cost leaders absorb supplier price hikes before raising customer prices.**
4. Entrants	► **Efficiency focus creates barriers to market entry.**
5. Substitutes	► **Cost leaders lower prices to retain customers, develop substitutes, and acquire patents.**

DISADVANTAGES OF COST LEADERSHIP STRATEGY

I. Cost advantage may be short-lived as competitors imitate cost reductions.
ii. Success depends on achieving high sales volume.
iii. Minimizing costs in advertising, market research, and R&D may be costly long-term.
iv. Technological advancements pose a significant threat to cost leaders.

2. DIFFERENTIATION STRATEGY

- Targets a broad market by offering a unique product or service.
- Uniqueness may come from design, brand, features, technology, or service.
- Allows firms to charge premium prices.

Example: Domino's Pizza has been offering home delivery within 30 minutes or the order is free, is a unique selling point that differentiates if from its rivals.

- Differentiation doesn't guarantee an advantage if standard products meet customer needs or competitors imitate quickly.
- Durable products with barriers to imitation are preferable.
- Success can come from flexibility, compatibility, lower costs, better service, or unique features.
- Product development supports differentiation.
- A firm must carefully study buyer preferences to determine feasible differentiation.
- A firm must carefully study buyer preferences to determine feasible differentiation.

Special features that differentiate one's product can include

- ✓ Superior service
- ✓ Spare parts availability
- ✓ Engineering design
- ✓ Product performance
- ✓ Useful life
- ✓ Gas mileage
- ✓ Ease of use. ETC.

Risks in pursuing Differentiation Strategy:

I The unique product may not be valued high enough by customers to justify the higher price.

ii Competitors may develop ways to copy the differentiating features quickly.

EXAMPLE: Amazon Prime offers deliver within two hours. This is quite difficult to imitate by its rivals, and thus this differentiating factor helps it to lead the market.

BASIS OF DIFFERENTIATION

1.PRODUCT | **1.PRICING** | **1.ORGANIZATION**

1. Product	▪ Innovative products that meet customer needs provide a competitive edge. ▪ Developing new products is costly due to R&D, production, and marketing expenses. ▪ However, the potential payoff is high as early adopters seek the latest offerings. **Example:** Apple iPhone, has invested huge amounts of money in R&D, and the customers' value that. They want to be among the first ones to try the new offerings from the company.
2. Pricing	▪ Price varies with supply, demand, and customer perception of value. ▪ Companies may compete by offering the lowest price or by positioning their product as superior with higher pricing. **Example:** Apple iPhone dominates the smart phone segment by charging higher prices for its products.
3. Organization	▪ Organizational differentiation leverages unique brand power or operational strengths. ▪ Factors like location, name recognition, and customer loyalty can set a company apart from competitors **Example:** Apple has been building customer loyalty since years and has a fanbase of consumers that are called “Apple Fanboys/Fangirls”.

ACHIEVING DIFFERENTIATION STRATEGY

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

I. Offer utility to the customers and match products with their tastes and preferences.

ii. Elevate/Improve performance of the product.

iii. Offer the high-quality product/service for buyer satisfaction.

iv. Rapid product innovation to keep up with dynamic environment.

v. Taking steps for enhancing brand image and brand value.

vi. Fixing product prices based on the unique features of product and buying capacity of the customer.

ADVANTAGES OF DIFFERENTIATION STRATEGY

A differentiation strategy may help an organisation to remain profitable even with rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

1. RIVALRY	○ Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers.
2. BUYERS	○ They do not negotiate for price as they get special features and they have fewer options in the market.
3. SUPPLIERS	○ Because differentiators charge a premium price, they can afford to absorb higher costs of supplies as the customers are willing to pay extra too.
4. ENTRANTS	○ Innovative features are an expensive offer. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.
5. SUBSTITUTES	○ Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

DISADVANTAGES OF DIFFERENTIATION STRATEGY

I. In the long term, uniqueness is difficult to sustain.

II. Charging too high a price for differentiated features may cause the customer to switch-off to another alternative.

Example: Shift of iPhone users to other android flagship smart phones.

I. Differentiation fails to work if its basis is something that is not valued by the customers.

Example: Home delivery of packed snacks in 30 minutes would not even be a differentiator as the consumer wouldn't value such an offer.

3. FOCUS STRATEGIES

- A focus strategy thrives in a sufficiently large, growing industry segment that is not vital to major competitors.
- Market penetration (new products for existing customers) and market development (new products for new customers) enhance focus-based advantages.
- Midsize and large firms often combine focus strategies with differentiation or cost leadership.
- A company may target specific customer groups, geographic areas, or product segments to serve a niche market better than broader competitors.

Example: Ferrari sports cars.

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.

·Focus strategies are most effective when consumers have distinctive preferences or requirements, and when the rival firms are not attempting to specialize in the same target segment.

RISKS OF PURSUING A FOCUS STRATEGY

I Imitation by competitors.

ii Consumer preferences may drift towards the product attributes desired by the market as a whole.

FOCUS STRATEGY MAY BE

A.FOCUSED COST LEADERSHIP

B.FOCUSED DIFFERENTIATION

A.FOCUSED COST LEADERSHIP

- A focused cost leadership strategy competes on price within a specific market segment.
- The firm does not aim for the lowest prices industry-wide but offers lower prices than rivals within the niche.
- This strategy blends cost efficiency with a targeted market approach.

B.FOCUSED DIFFERENTIATION

- A focused differentiation strategy offers unique features tailored to a specific market segment.
- Narrow markets can be defined by demographics, sales channels, or customer preferences.
- Companies may focus on online sales or cater to niche consumer groups.
- This strategy combines exclusivity with a targeted approach.

Example: Rolls-Royce sells limited number of high-end, custom-built cars.

ACHIEVING FOCUSED STRATEGY

To achieve focused cost leadership/differentiation, following strategies could be adopted by an organization:

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

ADVANTAGES OF FOCUSED STRATEGY

I Premium prices can be charged by the organisations for their focused product/services.

ii Due to the tremendous expertise in the goods and services that the organisations following focus strategy offer, rivals and new entrants may find it difficult to compete.

DISADVANTAGES OF FOCUSED STRATEGY

I The firms lacking in distinctive competencies may not be able to pursue focus strategy.

ii Due to the limited demand of product/services, costs are high, which can cause problems.

iii In the long run, the niche could disappear or be taken over by larger competitors by acquiring the same distinctive competencies.

4. BEST-COST PROVIDER STRATEGY

- Best cost provider strategy is directed towards giving customers more value for the money by emphasizing on both, low cost and upscale differences.
- The objective is to keep costs and prices lower than those of other sellers of "comparable products".

Differentiattion: Poroviding desired quality/ features/performance/ service attibutes

Low Cost Provider: Charging a lower price than rivals with similar caliber product offerings

Best-Cost Provider Hybrid Approach

Value- Conscious Buyer

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

IT CAN BE DONE THROUGH

A. Offering products at lower price than what is being offered by rivals for products with comparable quality and features

OR

B. Charging similar price as by the rivals for products with much higher quality and better features.

Example: Android flagship phones from OnePlus, Xiaomi, Oppo, Vivo, etc, are all rooting for giving better quality at lowest prices to the customers. They are following the best-cost provider strategy to penetrate market.

SOLVE !

IDENTIFY GENERIC STRATEGY FOR EACH SITUATION

1. Building the best-in-class headphones with noise cancellation and premium quality ear cushions.

Answer:

2. Providing maximum value features in a phone which is within the spendable limits of the middle class of India

Answer:

3. Beig in position to dominate the glass manufacturing units across the country and thus using economies of scale to beat competition.

Answer:

4. Targeting the below poverty line individuals and providing them nutritious meals.

Answer:

4

CHAPTER

STRATEGIC CHOICES

Strategies are formulated at different levels of an organization.

STRATEGIC CHOICES

Businesses follow different strategies to enter the market, stay relevant, and grow in the market.

Classification of strategies based on levels of the organization, stages of business life cycle, and competition:

BASIS OF CLASSIFICATION	TYPES
Levels of the organization	Corporate level Business level Functional level
Stages of business life cycle	Introduction: Market penetration Growth: Growth Maturity: Stability Decline: Retrenchment
Competition oriented	Competitive strategies: Cost leadership, Differentiation, Focus strategies Collaboration strategies: Joint venture, M&A, Strategic alliances

CORPORATE LEVEL STRATEGIES

The corporate strategies a firm can adopt may be classified into four broad categories:

1. STABILITY STRATEGY
2. EXPANSION STRATEGY
3. RETRENCHMENT STRATEGY
4. COMBINATION STRATEGY

1. STABILITY STRATEGY

- It may be opted to safeguard its existing interests and strengths
- pursue well-established and tested objectives,
- to continue in the chosen business path,
- to maintain operational efficiency on a sustained basis,
- to consolidate the commanding position already reached, and
- to optimise returns on the resources committed in the business.

A STABILITY STRATEGY IS PURSUED BY A FIRM WHEN

A It continues to serve in the same or similar markets and deals in the same or similar products and services.

B Product has reached the maturity stage of the product life cycle or those who have a sufficient market share but need to retain that.

"Stability strategy should not be confused with 'do nothing' strategy."

CHARACTERISTICS OF STABILITY STRATEGY

I.	Stays with the same business, same product-market posture, and functions, maintaining the same level of effort as at present.
II.	The endeavour is to enhance functional efficiencies
III.	Stability strategy does not involve a redefinition of the business of the corporation.
IV.	It is a safe strategy that maintains the status quo.
V.	It does not warrant much of fresh investments.
VI.	The risk involved in this strategy is less.
VII.	While opting for this strategy, the organization can concentrate on its resources and existing businesses/products and markets, thus leading to the building of core competencies.
VIII.	The firms with modest growth objectives choose this strategy.

MAJOR REASONS FOR STABILITY STRATEGY

GROWTH/EXPANSION STRATEGY

- Growth/Expansion strategy enlarges business scope with substantial investment.
- It reflects dynamism, promise, and success.
- Involves major goal shifts, new products, technologies, and markets.
- Requires bold, innovative decisions, often leading to risky yet promising paths.

CHARACTERISTICS OF GROWTH/EXPANSION STRATEGY

I.	Expansion strategy redefines business and drives growth.
II.	It contrasts the stability strategy, offering higher rewards but greater risks.
III.	Enables renewal through fresh investments and new markets.
IV.	Provides multiple growth options by modifying products, markets, or functions.
V.	Pursued through two key routes: Intensification and Diversification.
VI.	Expansion strategy redefines business and drives growth.

MAJOR REASONS FOR GROWTH/EXPANSION STRATEGY

TYPES OF GROWTH/ EXPANSION STRATEGY

The growth strategies can be classified into two main types

A. Internal growth strategies

B. External growth strategies

A. Internal growth strategies

Internal growth strategies can be further divided into:

1. EXPANSION THROUGH INTENSIFICATION

2. EXPANSION THROUGH DIVERSIFICATION

- Expansion or growth through Intensification
- Expansion or growth through intensification means that the organisation tries to grow internally by intensifying its operations either by market penetration or market development or by product development.
- It tries to cash on its internal capabilities and internal resources.

The firm can intensify by adopting any of the following strategies

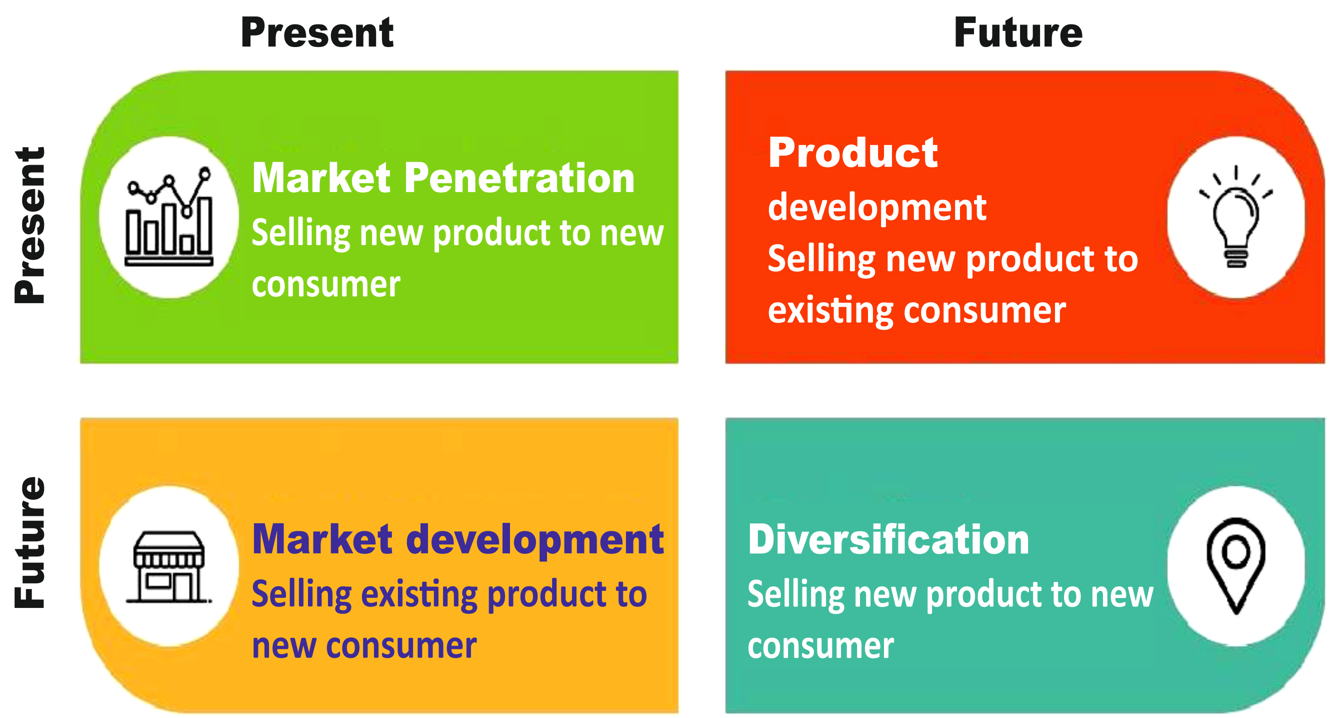
I.Market Penetration: A common expansion strategy is market penetration. The firm focuses resources on growing existing products in current markets profitably.

ii.Market Development: It involves marketing existing products to related markets by expanding distribution channels or modifying advertising and promotional strategies.

iii.Product Development: Product development entails significant modifications to existing products or the creation of new but related items, marketed to current customers via established channels.

Igor. H. Ansoff framework of intensification options available to a firm:

ANSOFF Growth Strategy Matrix



EXPANSION OR GROWTH THROUGH DIVERSIFICATION

- Diversification is an internal growth strategy where firms expand into new products, services, or markets.
- Innovative companies seek opportunities and challenges, using internal resources to explore new areas and break frontiers.
- Greater growth and profitability can be achieved through diversification rather than intensification.
- It involves entering different product lines, services, or markets requiring new skills, technology, and knowledge.
- Some firms use diversification to maximize their existing facilities and capabilities efficiently.

Based on the nature and extent of their relationship to existing businesses, diversification can be classified into two broad categories:

I. Concentric diversification: diversification into related business to benefit from synergistic gains

II. Conglomerate diversification: diversification into unrelated business to explore more opportunities beyond existing areas of expertise

(iii) Expansion through Innovation

CONCENTRIC DIVERSIFICATION

- Concentric diversification occurs when the new business is related to existing products.
- Linkage exists through process, technology, or marketing.
- New products are spin-offs from current facilities, benefiting from synergy.
- Connection is loop-like at specific points in the firm's existing chain.

Example: A company producing clothes ventures into the manufacturing of shoes.

Concentric diversification is generally understood in two directions, vertical and horizontal integration

Vertically Integrated Diversification

- Vertically integrated diversification involves entering businesses related to the firm's existing operations.
- The firm moves forward or backward in the process chain to create new business opportunities.
- Key characteristic: The firm remains within a vertically linked product-process chain.
- Diversification links can be forward or backward within the same process sequence.

Forward and Backward Integration:

Forward Integration

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

Forward integration will also take place where organizations enter into businesses of distribution channels.

For example, A coffee bean manufacture may choose to merge with a coffee cafe.

BACKWARD INTEGRATION

Backward integration is concerned with creation of effective supply by entering business of input providers.

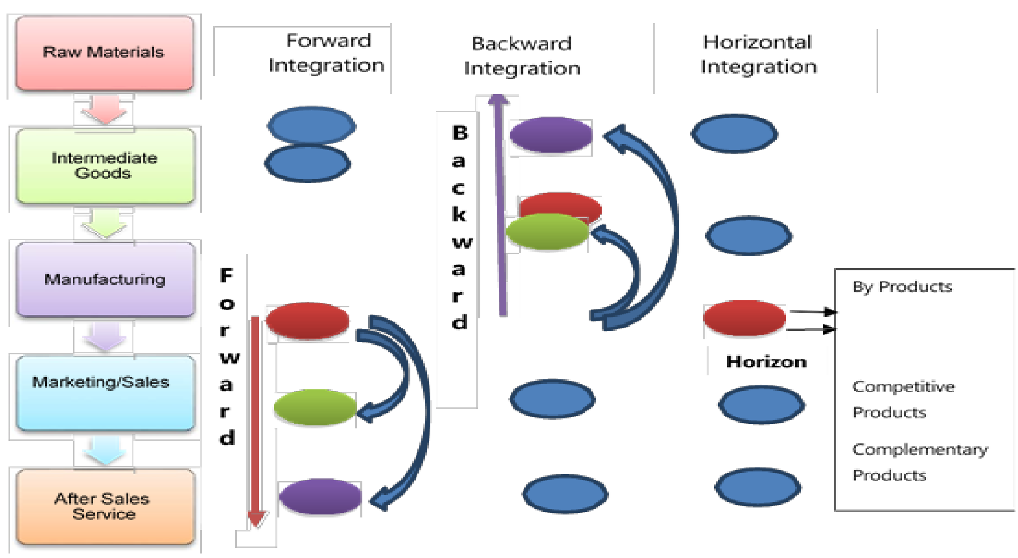
Strategy employed to expand profits and gain greater control over production/supply of a product whereby a company will purchase or build a business that will increase its own supply capability or lessen its cost of production.

For example, A large supermarket chain considers to purchase a number of farms that would provide it a significant amount of fresh produce.

HORIZONTAL INTEGRATED DIVERSIFICATION

A firm gets horizontally diversified by integrating through acquisition of one or more similar businesses operating at the same stage of the production-marketing chain.

They can also integrate with the firms producing complementary products or by-products or by taking over competitors' products.



CONGLOMERATE DIVERSIFICATION

- In conglomerate diversification, no linkages related to product, market or technology exist; the new businesses/products are disjointed from the existing businesses/products in every way; it is a totally unrelated diversification.

- In process/technology/function, there is no connection between the new products and the existing ones.

- Conglomerate diversification has no common thread at all with the firm's present position.

Example: A cement manufacturer diversifies into the manufacture of steel and rubber products.

RELATED VS UNRELATED DIVERSIFICATION

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

INNOVATION

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

Some may argue that innovation leads to unnecessary expenses that do not give as much returns, but on the contrary, for a business to grow long term, innovation offers the following;

(I)	**Helps to solve complex problems**	Businesses identify opportunities within societal problems through planned innovation. • Guided innovation develops customer-centric, sustainable solutions to complex problems. **Example:** **Problem**: Environmental damage **Innovation:** Shifting to renewable sources of energy like solar, wind, etc.
(ii)	**Increases Productivity**	Productivity measures the final output of a task or process. • Companies invest heavily in improving productivity. • Innovation boosts productivity by automating tasks and simplifying processes. **Example: MSExcel** **Finance professional uses this software to simplify and automate their manual tasks.**
(iii)	**Gives Competitive Advantage**	•Faster innovation pushes a business ahead of competitors. •Innovative products require less marketing as they enhance consumer satisfaction. Innovation helps retain existing customers and attract new ones.

B. EXTERNAL GROWTH STRATEGIES

When the organization instead of growing internally thinks of diversifying by making alliances with external organisations, it is called external growth diversification.

EXTERNAL GROWTH CAN BE CLASSIFIED IN TWO WAYS

A. Expansion through Mergers and Acquisitions

B. Expansion through Strategic Alliance

1. Expansion through Mergers and Acquisitions

- Merger and acquisition in simple words are defined as a process of combining two or more organizations together.

PURPOSES OF M&A

- It is an instant means of achieving the expansion.
- A measure of synergy between the parent and the acquired enterprises.

HOW SYNERGY?

- **Synergy** arises from shared physical facilities, skills, distribution, administration, and R&D.
- Only **positive synergy** is relevant, where combined resources create greater value than individually.

MERGER

- Two or more companies unite to expand business operations.
- The deal is finalized on friendly terms, and profits are shared.
- Mergers enhance financial strength and help break trade barriers.

ACQUISITION

- One organization takes over another and controls its operations.
- A financially strong company overpowers a weaker one.
- Acquisitions often occur during economic downturns or declining profits.
- The acquired company operates under the stronger entity's name.
- Deals are often forced, making acquisitions generally unfriendly.

TYPES OF MERGERS

Types of mergers and are quite similar to the types of diversification.

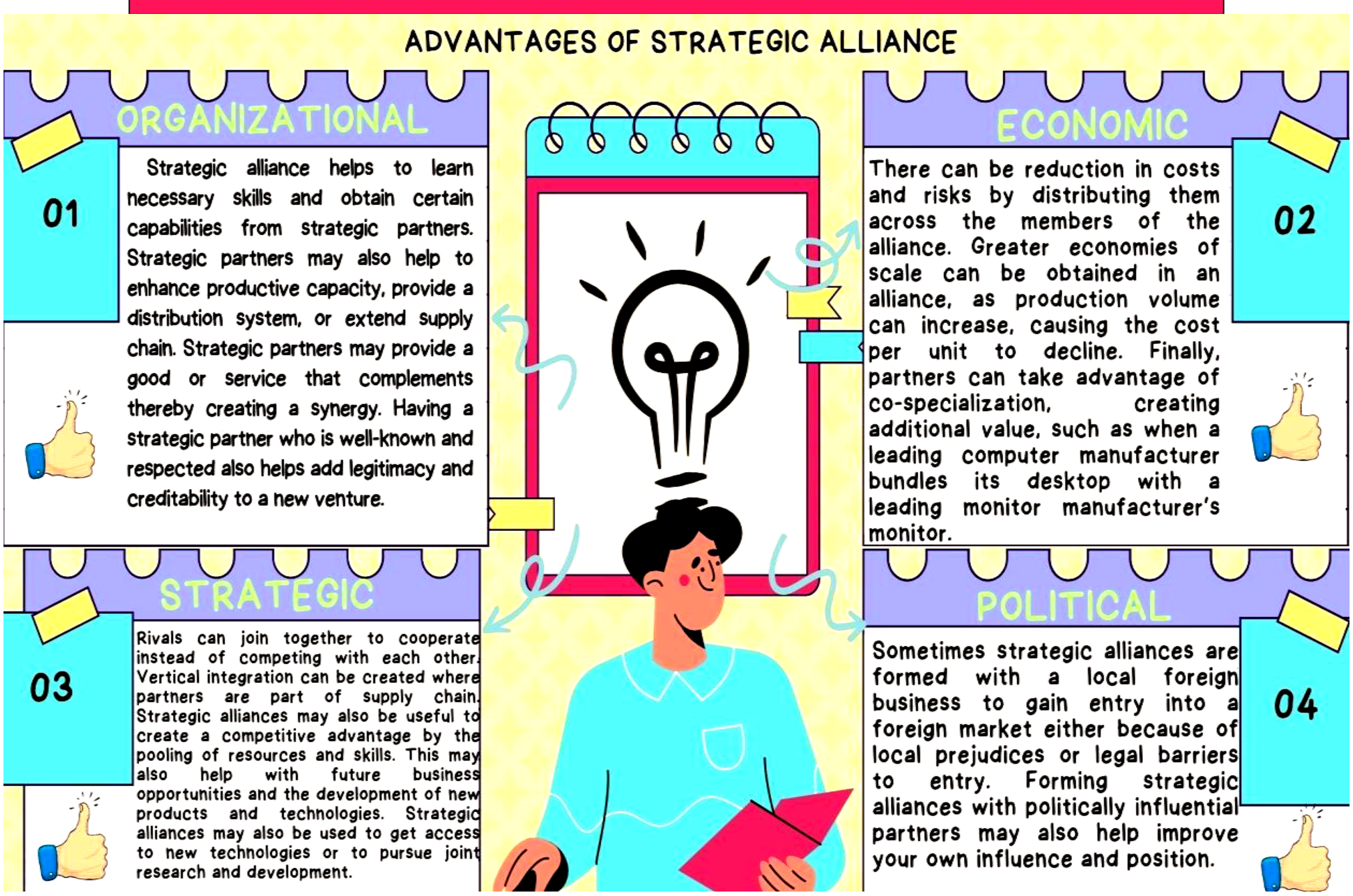
(I)	**Horizontal Merger**	Combination of firms in the same industry, often with direct competitors, to achieve economies of scale, eliminate duplication, and reduce competition. **Eampxle: Brook Bond Lipton India Ltd. (Lipton India & Brook Bond).**
(II)	**Vertical Merger**	Merger of firms at different production or distribution stages, leading to synergies.
(III)	**Co-generic Merger**	Taking over suppliers/raw material producers.
(IV)	**Conglomer ate Merger**	Taking over buyers/distribution channels.

2. EXPANSION THROUGH STRATEGIC ALLIANCE

STRATEGIC ALLIANCE

- A **strategic alliance** is a partnership between two or more businesses to achieve shared strategic objectives that neither could achieve alone.
- Partners **remain independent entities**, share benefits and control, and contribute to the alliance until termination.
- Often **formed in the global marketplace** between businesses from different regions.
- Alliances are established **only if they provide mutual advantages** to all parties involved.

THESE ADVANTAGES CAN BE BROADLY CATEGORISED AS FOLLOWS



DISADVANTAGES OF STRATEGIC ALLIANCE

The major disadvantage is sharing.

Strategic alliances require sharing of resources and profits, and also sharing knowledge and skills that otherwise organisations may not like to share.	Sharing knowledge and skills can be problematic if they involve trade secrets.	Agreements can be executed to protect trade secrets, but they are only as good as the willingness of parties to abide by the agreements or the courts willingness to enforce them.	Strategic alliances may also 0create potential competition when an ally becomes an opponent in the future when it decides to separate.

STRATEGIC EXITS

Strategic exits occur when an organization **substantially reduces** its scope of activity. The process begins by **identifying problem areas** and diagnosing the causes. Different **retrenchment strategies** are then implemented:

- **Turnaround Strategy** – Focuses on reversing decline through corrective actions.
- **Divestment Strategy** – Cuts off loss-making units, divisions, or SBUs, reduces product lines, or curtails functions.
- **Liquidation Strategy** – If other strategies fail, the organization **abandons operations entirely**.

(1) 1.TURNAROUND STRATEGY

- Retrenchment may be done either internally or externally.
- For internal retrenchment to take place, emphasis is laid on improving internal efficiency, known as turnaround strategy.

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

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

ACTION PLAN FOR TURNAROUND

For turnaround strategies to be successful, it is imperative to focus on the short and long-term financing needs as well as on strategic issues.

TURNAROUND STRATEGY: A WORKABLE ACTION PLAN

1.Assessment of Current Problems

- Identify root causes and assess the extent of damage.
- Focus resources on critical areas to correct immediate issues.

2. Analyze the Situation & Develop a Strategic Plan

- Evaluate business survival chances and identify viable core operations.
- Analyze strengths, weaknesses, and competitive position.
- Develop a strategic plan with clear goals and functional actions.

3. Implementing an Emergency Action Plan

- Develop immediate actions to stabilize operations and ensure survival.
- Restructure debts, improve working capital, and optimize cost management.
- Establish positive cash flow and secure funding for turnaround efforts.

4. Restructuring the Business

- Analyze financial health, reposition core products, and optimize operations.
- Close unprofitable facilities or withdraw from weak markets.
- Improve employee morale through rewards and incentive systems.

5. Returning to Normal:

- Focus on profitability, ROI, and economic value addition.
- Expand product offerings, enhance customer service, and build strategic alliances.
- Strengthen market position and ensure long-term stability.

The important elements of turnaround strategy are as follows:

I. Changes in the top management
ii. Initial credibility-building actions
iii. Neutralising external pressures
iv. Identifying quick payoff activities
v. Quick cost reductions
vi. Revenue generation
vii. Asset liquidation for generating cash
viii. Better internal coordination

STRATEGIC OPTIONS

There are a set of models that help strategists in taking strategic decisions with regard to individual products or businesses in a firm's portfolio.

1. ANSOFF'S PRODUCT-MARKET GROWTH MATRIX

- Proposed by **Igor Ansoff**, this matrix helps businesses strategize for **product and market growth**.
- It provides insights into growth by analyzing **existing and new products** in **existing and new markets**.
- The **product/market growth matrix** is a **portfolio-planning tool** used to identify potential growth opportunities.

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

1. MARKET PENETRATION:

- Focuses on selling existing products into existing markets.
- Achieved by increasing sales to current customers without major product changes.
- Strategies include higher advertising spending, aggressive promotions, and pricing tactics.
- Increasing product usage by existing customers is another approach.
- Example: Gucci selling its luxury clothing in European markets with new designs.

2. MARKET DEVELOPMENT:

- Expands into new markets with existing products.
- Growth is achieved through geographical expansion, new packaging, new distribution channels, or adjusted pricing strategies.
- Example: Gucci selling its luxury clothing in Chinese markets.

1. DIVESTMENT STRATEGY

Involves selling or liquidating a portion of the business, a major division, profit center, or Strategic Business Unit (SBU).
Often part of a rehabilitation or restructuring plan.

ADOPTED

- When a turnaround attempt has failed.
- When it is evident that divestment is the only viable solution.

A divestment strategy may be adopted due to various reasons:

I. Mismatch of Acquired Business – The acquired business does not align with the company's core operations and cannot be integrated.

ii. Financial Strain – Persistent negative cash flows from a division affect the entire company's financial health.

iii. Intense Competition – The firm struggles to compete effectively, making divestment a necessary option.

iv. Technological Obsolescence – If upgrading technology is unfeasible, divestment may be the best choice.

V. Better Investment Opportunity – The company may find more profitable alternatives, leading to the divestment of an underperforming unit.

CHARACTERISTICS OF DIVESTMENT STRATEGY

A **This strategy involves divestment of some of the activities in a given business of the firm or sell-out of some of the businesses as such.**

B **Divestment is to be viewed as an integral part of corporate strategy without any stigma attached.**

MAJOR REASONS FOR RETRENCHMENT/TURNAROUND STRATEGY

a. Exit Due to Losses – Management chooses to partially or fully exit the business due to continuous losses and lack of viability.

b. Selective Divestment – Certain activities are divested or liquidated to restore business viability.

c. Mismatch in Acquisition – An acquired business proves incompatible and cannot be integrated.

d. Financial Strain – Persistent negative cash flows impact the entire company's financial stability.

e. Intense Competition – The firm struggles to compete effectively, making divestment necessary.

f. Technological Obsolescence – Inability to invest in required technology upgrades forces divestment.

g .Better Investment Opportunity – A more profitable alternative leads to divesting unprofitable units.

3. PRODUCT DEVELOPMENT:

- Introduces new products into existing markets.
- Requires product modifications, innovations, or new product lines that appeal to current customers.
- Example: Gucci launching casual clothing in European markets.

4. DIVERSIFICATION:

- Aims to market new products in new markets.
- Often involves starting new businesses or acquiring companies outside the current scope.
- Considered the riskiest strategy as it involves both unfamiliar markets and products.
- Example: Gucci selling casual clothing in Chinese markets.

5. STRATEGIC FLEXIBILITY:

- Market conditions change over time, requiring businesses to shift strategies.
- Example: A saturated market might force a company to explore new market development.

2. ADL MATRIX

ADL Matrix is a portfolio analysis tool based on product life cycle.

This matrix was proposed by Arthur D'little and hence the name is so.

It has two dimensions namely stages of industry maturity and firm's competitive position.

Industry maturity represents position in industry's life cycle and competitive position represents business strength.

THERE ARE FIVE COMPETITIVE POSITIONS

- I.Dominant
- ii.Strong
- iii.Favourable
- iv.Tenable
- v.Weak

INDUSTRY LIFE CYCLE HAS 4 STAGES

- I.Introduction/Embryonic,
- ii.Growth,
- iii.Maturity
- iv.Ageing.

It is four by five (20 Cells) matrix.

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

THE COMPETITIVE POSITION OF A FIRM IS BASED ON AN ASSESSMENT OF THE FOLLOWING CRITERIA:

DOMINANT

- Rare position, often due to **monopoly or strong technological leadership**.
- The firm enjoys **significant control over the market**.

STRONG

- The firm has strategic freedom and can operate without major competitive threats.
- Maintains a stable and competitive market position.

FAVOURABLE

- Common in fragmented industries where no single competitor dominates
- Market leaders enjoy a reasonable degree of freedom in decision-making.

TENABLE

- Firms can sustain operations but are vulnerable to stronger competition
- Requires proactive strategies to maintain stability.

WEAK

- Performance is unsatisfactory, but opportunities for improvement exist.
- Requires strategic changes to remain competitive egies to maintain stability.

3. BOSTON CONSULTING GROUP (BCG) GROWTH-SHARE MATRIX

- The BCG growth-share matrix is the simplest way to portray a corporation's portfolio of investments.
- Growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company.
- Using the BCG approach, a company classifies its different businesses on a two- dimensional growth-share matrix.

IN THE MATRIX

- **Vertical Axis:** The vertical axis represents market growth rate and provides a measure of market attractiveness.
- **Horizontal Axis:** The horizontal axis represents relative market share and serves as a measure of company strength in the market.

Using the matrix, organisations can identify four different types of products or SBU as follows:

RISKS OF PURSUING COST LEADERSHIP

STAR

· High-growth, high-market-share businesses or products.

· Require heavy investment to sustain rapid growth.

· Represent the best opportunities for expansion.

CASH COW

· Low-growth, high-market-share businesses or products.

· Generate steady cash flow and require minimal investment.

· Former Stars that matured as growth slowed down.

QUESTION MARK

· Low-market-share businesses in high-growth markets.

· Require significant investment but have uncertain potential.

· Can either become Stars or fail and turn into Dogs.

DOG

· Low-growth, low-market-share businesses or products.

· Generate little profit and often require cash to survive.

· Should be divested or liquidated if they don't serve a strategic purpose.

BCG MATRIX: POST IDENTIFICATION STRATEGIES

After a firm, has classified its products or SBUs, it must determine what role each will play in the future. The four strategies that can be pursued are:

No.	Strategy	Objective
1.	Build	Increase market share, prioritizing future growth over short-term earnings.
2.	Hold	Preserve market share to maintain stability.
3.	Harvest	Maximize short-term cash flow, ignoring long-term impact.
4.	Divest	Sell or liquidate to reallocate resources efficiently.

3.GENERAL ELECTRIC MATRIX (STOP-LIGHT MODEL)

- Developed by General Electric with McKinsey & Company.
- Also called Business Planning Matrix, GE Nine-Cell Matrix, or GE Model.
- Inspired by traffic lights: green (go), yellow (caution), red (stop).
- Helps in strategic planning using Business Strength and Market Attractiveness.

UNDERSTANDING THE GE MATRIX

In this Matrix:

Vertical Axis: The vertical axis indicates market attractiveness.

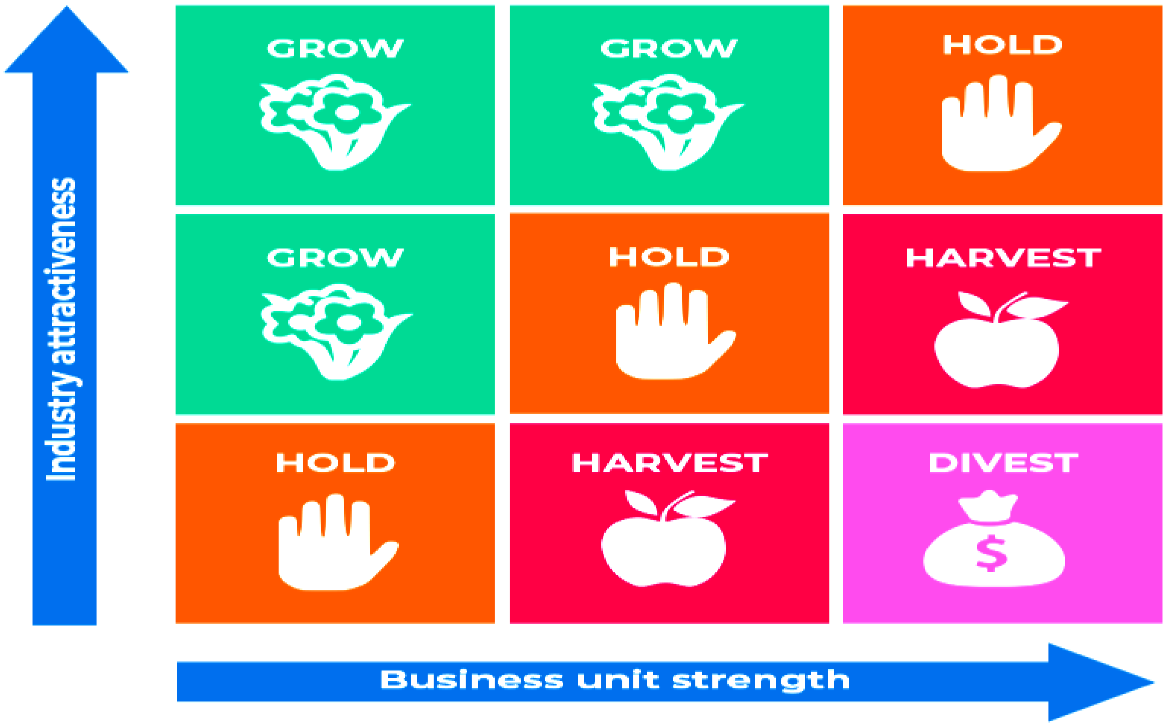
Horizontal Axis: The horizontal axis shows the business strength in the industry.

THE MARKET ATTRACTIVENESS IS MEASURED BY A NUMBER OF FACTORS LIKE:

i.Size of the market.
ii.Market growth rate.
iii.Industry profitability.
iv.Competitive intensity.
v.Availability of Technology.
vi.Pricing trends.
vii.Overall risk of returns in the industry.
viii.Opportunity for differentiation of products and services.
ix.Demand variability.
x.Segmentation.
xi.Distribution structure (e.g. direct marketing, retail, wholesale) etc.

BUSINESS STRENGTH IS MEASURED BY CONSIDERING THE TYPICAL DRIVERS LIKE:

i.Market share.
ii.Market share growth rate.
iii.Profit margin.
iv.Distribution efficiency.
v.Brand image.
vi.Ability to compete on price and quality.
vii.Customer loyalty.
viii.Production capacity.
ix.Technological capability.
x.Relative cost position.
xi.Management calibre, etc.



A. GREEN SECTION

- If a product falls in the green section, the business is at advantageous position.
- To reap the benefits, the strategic decision can be to expand, to invest and grow.

B. AMBER/YELLOW SECTION

- If a product is in the amber or yellow zone, it needs caution and managerial discretion is called for making the strategic choices.

C. RED SECTION

- If a product is in the red zone, it will eventually lead to losses that would make things difficult for organisations.
- In such cases, the appropriate strategy should be retrenchment, divestment or liquidation.

BCG vs GE

This model is similar to the BCG growth-share matrix. However, there are differences. Firstly, market attractiveness replaces market growth as the dimension of industry attractiveness and includes a broader range of factors other than just the market growth rate. Secondly, competitive strength replaces market share as the dimension by which the competitive position of each SBU is assessed.

5

CHAPTER

STRATEGIC IMPLEMENTATION AND EVALUATION

IMPLEMENTATION

It involves putting the plans and initiatives developed as part of the strategy into action.

EVALUATION

It refers to the process of measuring and assessing the effectiveness of these actions.

STRATEGIC MANAGEMENT PROCESS

❖ ***The process of developing an organisation's strategy is quite methodical.***

❖ Strategic planning begins with defining vision, mission, values, and goals. Key themes are analyzed, forming a plan with objectives, implementation steps, and performance measures to track success.

❖ ***The strategic management process is dynamic and continuous.***

A change in any major component can impact others. Economic shifts may alter objectives, unmet annual goals may require policy changes, and competitor actions may affect the mission. Thus, strategy formulation, implementation, and evaluation should be continuous, as strategic management is an ongoing process.

STRATEGIC MANAGEMENT MODEL (FRED R DAVID)

- The strategic management process can best be studied and applied using a model. Every model represents process.
- Strategic Management Model (Fred R David) is a widely accepted, comprehensive.
- This model like any other model of management does not guarantee sure-shot success, but it does represent a clear and practical approach for formulating, implementing, and evaluating strategies.
- Relationships among major components of the strategic management process 3are shown in the model.

STAGES IN STRATEGIC MANAGEMENT

Crafting and executing strategy are the heart and soul of managing a business enterprise.

STRATEGIC MANAGEMENT INVOLVES THE FOLLOWING STAGES

1	2	3	4	5
Developing a strategic vision and formulation of statement of mission, goals and objectives.	Environmental and organisational analysis.	Formulation of strategy.	Implementation of strategy.	Strategic evaluation and control

STAGE 1: STRATEGIC VISION, MISSION AND OBJECTIVES

- ★ A company must define its path and adjust product, market, customer, and technology focus to strengthen its position.
- ★ Choosing a path requires strategic decisions on business modifications and market positioning.
- ★ Top management's conclusions shape the strategic vision, guiding direction and focus.
- ★ A strategic vision sets aspirations, defines identity, and prepares for the future.
- ★ A clear vision aligns stakeholders and unifies company efforts.

MISSION AND STRATEGIC INTENT:

- Managers must define their organization's role, often through a mission statement.
- Strategy at this level focuses on overall direction, not SBU competition or specific business methods.
- Corporate goals and objectives flow from the mission and growth ambition of the corporation.
- Goals and objectives define the firm's growth targets and shape its path to achieving them.
- Setting objectives helps the firm navigate its environment and determine its strategic focus.
- Objectives guide major decisions and drive performance at all levels.
- They translate the strategic vision into measurable targets for tracking progress.
- Effective objectives push the firm to innovate, act urgently, and enhance performance.
- Objectives must extend beyond top management to all business units and departments.
- Performance targets should align across all levels to ensure companywide success.

STAGE 2: ENVIRONMENTAL AND ORGANISATIONAL ANALYSIS

This stage is the diagnostic phase of strategic analysis. It entails two types of analysis

1. Environmental scanning
2. Organisational analysis

1 Environmental Scanning

- External environment includes economic, social, and market forces.
- It is dynamic and uncertain, requiring systematic analysis.
- Management must identify future opportunities and threats.

2 Organisational analysis

- Organizational analysis reviews resources, capacity, a nd effectiveness.
- Identifies strengths and weaknesses for strategic alignment.
- Forms the basis for SWOT analysis in decision-making.

STAGE 3: FORMULATING STRATEGY

- Strategy formulation begins with identifying strategic alternatives based on SWOT analysis.
- The next step is analyzing and selecting the most suitable strategy.
- Key alternatives include stability, growth, diversification, or retrenchment.
- Growth can involve expansion, new units, or acquisitions.
- Diversification may be into related or unrelated areas.
- A firm may also adopt a combination strategy.

STAGE 4: IMPLEMENTATION OF STRATEGY

- Implementation shapes core business performance strategically.
- It is the most demanding, time-consuming strategy phase.
- Managers drive change, motivation, and capability building.
- Success requires a supportive work climate and goal achievement.

IN MOST SITUATIONS, STRATEGY-EXECUTION PROCESS INCLUDES THE FOLLOWING PRINCIPAL ASPECTS:

I Allocate resources to critical strategic activities.
ii Staff with skilled personnel and build competencies.
iii Ensure policies support effective execution.
iv Adopt best practices and drive continuous improvement.
vI mplement systems for efficient strategy execution.
vi Motivate employees to achieve objectives.
vii Foster a culture that supports strategy implementation.
viii Provide leadership to overcome challenges and improve execution.

STAGE 5: STRATEGIC EVALUATION AND CONTROL

- Evaluate progress, external changes, and make adjustments.
- Continue strategy if aligned with industry and targets met.
- Disruptive changes require reassessing direction and strategy.
- Address performance shortfalls by identifying root causes.
- Revisit strategy when internal or external shifts occur.
- Strategy evolves over time through learning and adaptation.
- Regularly assess execution, improve, and make corrections.

STRATEGY FORMULATION

1.CORPORATE STRATEGY

Planning

- Define future actions and create action plans.
- Effective management requires thorough planning.
- Planning aligns actions with defined goals.

PLANNING MAY BE OPERATIONAL OR STRATEGIC

STRATEGIC PLAN

Senior management creates strategic plans based on SWOT analysis.

Plans include resource allocation to achieve goals.

OPERATIONAL PLAN:

Operational plans on the other hand are made at the middle and lower-level management.

They provide specifics on how the resources are to be used effectively to achieve the goals.

CHARACTERISTICS OF STRATEGIC AND OPERATIONAL PLAN

Strategic Plan	Operational Plan
Shapestheorganizationandit's resources.	Dealswithcurrentdeploymentof resources.
Assess theimpact of environmental variables.	Develop tactics rather than strategy.
Takes a holistic view of the organization.	Projects current operations into the future.
Develop overall objectives and strategies.	Makesmodificationtothebusiness functions but not fundamental changes.
It is concerned with the long-term success of the organization.	It is the responsibility of functional managers.
It is responsibility of senior management.	

STRATEGIC PLANNING

- The success of the company depends on how well the game plan of directing company towards success (“corporate strategy” works.
- The core of the process of strategic planning is the formation of corporate strategy.
- The formation of corporate strategy is the result of a process known as strategic planning.

SOME KEY ASPECTS

I Defines objectives, resources, and policies for success.
ii Involves overlapping decisions shaping strategy.
iii Sets long-term direction and path forward.
iv Applies organization-wide or to key functions.

STRATEGIC UNCERTAINTY AND HOW TO DEAL WITH IT?

- Strategic uncertainty is the unpredictability of future events.
- It arises from market, technology, competition, and regulation changes.
- Organizations need flexibility and agility to adapt.
- Grouping uncertainties into clusters helps manage them.
- Prioritizing clusters aids information gathering and analysis.

IMPORTANCE OF CLUSTER/THEMES

Importance	Description
I. Flexibility	Organizations can build flexibility into their strategies to quickly adapt to changes in the environment.
ii. Diversification	Diversifying the organization's product portfolio, markets, and customer base can reduce the impact of strategic uncertainty.
iii. Monitoringand Scenario Planning	Organizations can regularly monitor key indicators of change and conduct scenario planning to understand how different future scenarios might impact their strategies.
IV. Building Resilience	Organizations can regularly monitor key indicators of change and conduct scenario planning to understand how different future scenarios might impact their strategies.
V. Collaboration and Partnerships	Collaborating with other organizations, suppliers, customers, and partners can help organizations pool resources, share risk, and gain access to new markets and technologies.

Impact of uncertainty

Each element of strategic uncertainty involves potential trends or events that could have an impact on present, proposed, and even potential businesses.

Example: A trend toward natural foods may present opportunities for juices for a firm producing aerated drinks on the basis of a strategic uncertainty.

The impact of a strategic uncertainty will depend on the importance of the impacted SBU to a firm.

The importance of established SBUs may be indicated by their associated sales, profits, or costs. However, such measures might need to be supplemented for potential growth as present sales, profits, or costs may not reflect the true value.

STRATEGY IMPLEMENTATION

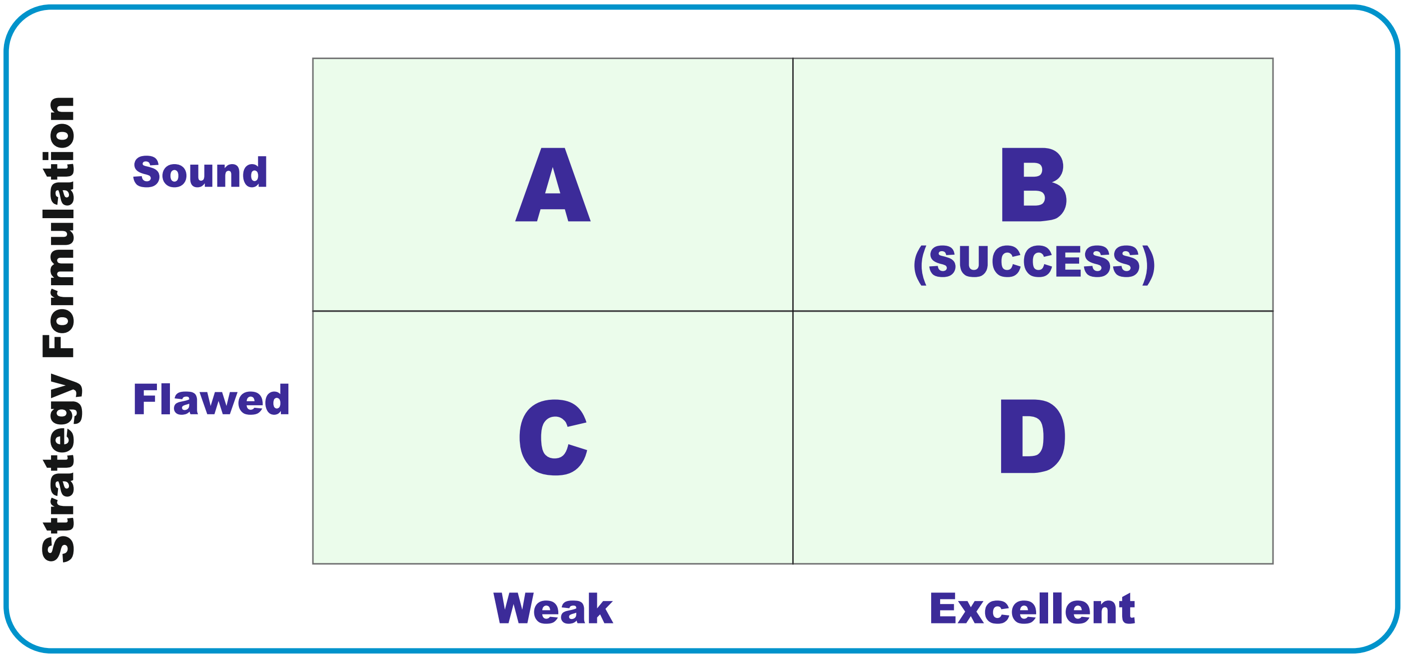
RELATIONSHIP WITH STRATEGY FORMULATION

Strategy formulation and strategy implementation require different skills. And company will be successful only when the strategy formulation is sound, and implementation is excellent.

Organizational success is a function of good strategy and proper implementation.

Matrix 1: Strategy formulation and implementation matrix:

The matrix represents various combinations of strategy formulation and implementation:



SQUARE A

- A strong strategy but struggles in execution.
- Causes include inexperience, resource gaps, or weak leadership.
- The goal is to overcome challenges and improve implementation.

SQUARE B

- A company develops and successfully executes a strong strategy.

SQUARE D

- Flawed strategy but strong execution.
- First, redesign strategy before refining execution.

SQUARE C

- Weak strategy and poor execution.
- Success requires redesigning strategy and improving execution.

STRATEGY' IS NOT SYNONYMOUS WITH 'LONG-TERM PLAN

- Strategy adapts to changing competitive conditions.
- It is not just a long-term plan but a dynamic process.
- Planned moves may change based on competitors' actions.

MATRIX 2: PRINCIPAL COMBINATION OF EFFICIENCY AND EFFECTIVENESS

- Firms without strategy focus on cost-cutting in stress.
- Prioritize efficiency (short-term) over effectiveness (goal attainment).
- Efficiency is internal; effectiveness connects to the environment.

Operational Management	Effective	Ineffective
Effiecient	**Thrive**	**Die Slowly**
Inefficient	**Survive**	**Die Quickly**

Strategic Formulation

Operational managers handle efficiency; top management sets strategy.

Cell 1: An organization that finds itself in cell 1 is well placed and thrives, since it is achieving what it aspires to achieve with an efficient output/input ratio.

Cell 2 & Cell 4: An organization in cell 2 or 4 is doomed, unless it can establish some strategic direction.

Cell 2 Vs Cell 4: The particular point to note is that cell 2 is a worse place to be than is cell 3 since, in the latter, the strategic direction is present to ensure effectiveness even if rather too much input is being used to generate outputs.

EFFECTIVE VS EFFICIENCY

- Survival depends on effectiveness, not just efficiency.
- Effectiveness is doing the right thing; efficiency is doing it right.
- Effectiveness is defined by stakeholders' diverse interests.
- A perfect strategy is useless without proper implementation.
- Execution matters more than just planning.
- Strategy formulation is easier than implementation.

DIFFERENCE BETWEEN STRATEGY FORMULATION AND IMPLEMENTATION

Key distinctions between strategy formulation and strategy implementation:

Strategy formulation	Strategy Implementation
Strategy formulation includes planning and decision-making involved in developing organization's strategic goals and plans.	Strategy implementation involves all those means related to executing the strategic plans.
In short, strategy formulation is placing the forces before the action.	In short, strategy implementation is managing forces during the action.
An entrepreneurial activity based on strategic decision-making.	An administrative task based on strategic and operational decision.
Emphasizes on effectiveness.	Emphasizes on efficiency.
Primarily an intellectual and rational process.	Primarily an operational process.
Requiresco-ordinationamongfew individuals at the top level.	Requirescoordinationamongmany individuals at the middle and lower levels.
Requires great deal of initiatives, logical skills, conceptual intuitive and analytical skills.	Requiresspecificmotivationaland leadership traits.
Strategy formulation precedes strategy implementation.	Strategyimplementationfollows strategy formulation.

STRATEGY IMPLEMENTATION IN LARGE ORGANIZATIONS:

- Strategy formulation is similar across organizations.
- Strategy implementation varies by size and type.
- Implementation involves structural, financial, and operational changes.
- Execution differs for manufacturing, service, and government sectors.

LINKAGES AND ISSUES IN STRATEGY IMPLEMENTATION

Two types of linkages exist between these two phases of strategic management. The forward linkages deal with the impact of strategy formulation on strategy implementation while the backward linkages are concerned with the impact in the opposite direction.

1.Forward Linkages:

- With the formulation of new strategies, or reformulation of existing strategies, many changes have to be affected within the organization like requirement to bring change in the organizational structure, change in leadership style, culture etc.
- In this way, the formulation of strategies has forward linkages with their implementation.

1. BACK WARD LINKAGES

- While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy.
- Organizations 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 organization from where it is to where it wishes to be.

ISSUES IN STRATEGY IMPLEMENTATION

The implementation tasks put to test the strategists' abilities to allocate resources, design organisational structure, formulate functional policies, and to provide strategic leadership.

Some key aspects:

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.

A Strategies lead to programmes with goals, policies, and procedures.

B Programmes are funded and lead to specific projects.

C Projects have set timelines, budgets, and objectives.

D Implementation requires resources, structure, systems, and policies.

ISSUES IN STRATEGY IMPLEMENTATION WHICH ARE TO BE CONSIDERED:	
1.	Project implementation
2.	Procedural implementation
3.	Resource allocation
4.	Structural implementation
5.	Functional implementation
6.	Behavioural implementation

MANAGEMENT ISSUES CENTRAL TO STRATEGY IMPLEMENTATION

Management issues central to strategy implementation include

- Establishing annual objectives
- Devising policies
- Allocating resources
- Altering an existing organizational structure
- Restructuring and reengineering
- Revising reward and incentive plans
- Minimizing resistance to change
- Developing a strategy-supportive culture
- Adapting production/operations processes
- Developing an effective human resource system
- If necessary, downsizing.

STRATEGIC CHANGE THROUGH DIGITAL TRANSFORMATION

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:

Three steps for initiating strategic change are:

Recognize the need for change	► The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not. ► This basically means going for environmental scanning involving appraisal of both internal and external capabilities may be through SWOT analysis and then determining where the lacuna lies and scope for change exists.
Create a shared vision to manage change	► Objectives of both individuals and organization should coincide. There should be no conflict between them. ► This is possible only if the management and the organization members follow a shared vision. ► Seniormanagersneedtoconstantlyandconsistently communicate the vision to all the organizational members. ► They have to convince all those concerned that the change in business culture is not superficial or cosmetic.
Institutionalise the change	► This is basically an action stage which requires implementation of changed strategy. ► Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of thinking or doing things. ► change process must be regularly monitored and reviewed to analyse the after-effects of change. Any discrepancy or deviation should be brought to the notice of persons concerned so that the necessary corrective actions are taken. ► It takes time for the changed culture to prevail.

KURT LEWIN'S MODEL OF CHANGE

To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.

1. Unfreezingthe situation	► The process of unfreezing simply makes the individuals aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. ► The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change. ► Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. ► This can be achieved by making announcements, holding meetings and promoting the new ideas throughout the organization.

2. Changing to the new situation	► Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. **H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalization.** I. **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better. II. **Identification:** Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them. III. **Internalization:** Internalization involves some internal changing of the individual's thought processes in order to adjust to the changes introduced. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.
3. Refreezing	► The new behaviour must replace the former behaviour completely for successful and permanent change to take place. ► In order for the new behaviour to become permanent, it must be continuously reinforced so that this new acquired behaviour does not diminish or extinguish.

HOW DOES DIGITAL TRANSFORMATION WORK?

DIGITAL TRANSFORMATION:

The use of digital technologies to develop fresh, improved, or entirely new company procedures, goods, or services is known as "digital transformation."

How does change management appear when applied to digital transformation?
(OR)
Change management in the digital transition consists of four essential elements:

1. Defining the goals and objectives of the transformation
2. Assessing the current state of the organization and identifying gaps
3. Creating a roadmap for change that outlines the steps needed to reach the desired state
4. Implementing and managing the change at every level of the organization

HOW DOES CHANGE MANAGEMENT WORK?

- Change management is a process or set of tools and best practices used to manage changes in an organization.
- It assists in making changes in a safe and regulated manner, reducing the possibility of detrimental effects on the company.
- Any sort of organisation, including enterprises, organisations, governmental bodies, and even families, can utilise change management to manage changes.
- Change management models and methods come in a wide variety, but they all have key things in common.
- These include creating a clear vision for the change, involving stakeholders in the process, coming up with a plan for putting the change into action, and keeping an eye on the results.
- Although change management is frequently viewed as a difficult and complicated process, it is vital for ensuring that digital transformation projects are successful.

THE ROLE OF CHANGE MANAGEMENT IN DIGITAL TRANSFORMATION:

A properly implemented change management strategy can help an organization to:

I.	Specify the parameters and goals of the digital transformation
II.	Determine which procedures and tools need to be modified.
III.	Make a plan for implementing the improvements.
IV.	involve staff members and parties involved in the transformation process.

CHANGE MANAGEMENT STRATEGIES FOR DIGITAL TRANSFORMATION

One of the most important area of focus for guaranteeing a successful transformation is change management.

THE FIVE BEST PRACTICES FOR MANAGING CHANGE IN SMALL AND MEDIUM-SIZED BUSINESSES ARE:

1. BEGIN AT THE TOP

- A focused, invested, united leadership that is on the same page about the company's future is reflected in change that begins at the top.
- The culture that will motivate the rest of the organisation to accept change can only be generated and promoted in this way.

2. ENSURE THAT THE CHANGE IS BOTH NECESSARY AND DESIRED

- The fact that decision-makers are unaware of how to properly handle a digital transformation and the effects it will have on their firm is one of the main causes of this.
- If a corporation doesn't have a sound strategy in place, introducing too much too fast can frequently become a major issue down the road.

3. REDUCE DISRUPTION:

- Employee perceptions of what is required or desirable change can differ by department, rank, or performance history.
- It's crucial to lessen how changes affect staff.
- The introduction of new tactics or technologies intended to improve management and corporate operations causes employee concern about change.

IT IS POSSIBLE TO REDUCE WORKPLACE DISRUPTION BY:

A. Getting the word out early and preparing for some interruption.
B. Giving staff members the knowledge and tools, they need to adjust to change.
C. Creating an environment that encourages transformation or change.
D. Empowering change agents to provide context and clarity for changes, such as project managers or team leaders.
E. Ensuring that IT department is informed of changes in technology or infrastructure and is prepared to support them.

4. ENCOURAGE COMMUNICATION

- Create channels so that workers may contact you with queries or complaints.
- Encourage departmental collaboration to propagate ideas and innovations as new procedures take root.
- Communication promotes efficiency and has the power to influence culture, just like your vision.
- The people who will be affected the most by these changes are reassured that they are not in danger through effective communication, which keeps everyone on the same page.

5. RECOGNIZE THAT CHANGE IS THE NORM, NOT THE EXCEPTION

- Change readiness may be defined as "the ability to continuously initiate and respond to change in ways that create advantage, minimize risk, and sustain performance."
- In order to keep up with the customers, businesses must also adapt their operations.
- They must prepare for change in advance and expect them.
- It may run into difficulties because change is not a project but rather an ongoing process.

HOW TO MANAGE CHANGE DURING DIGITAL TRANSFORMATION

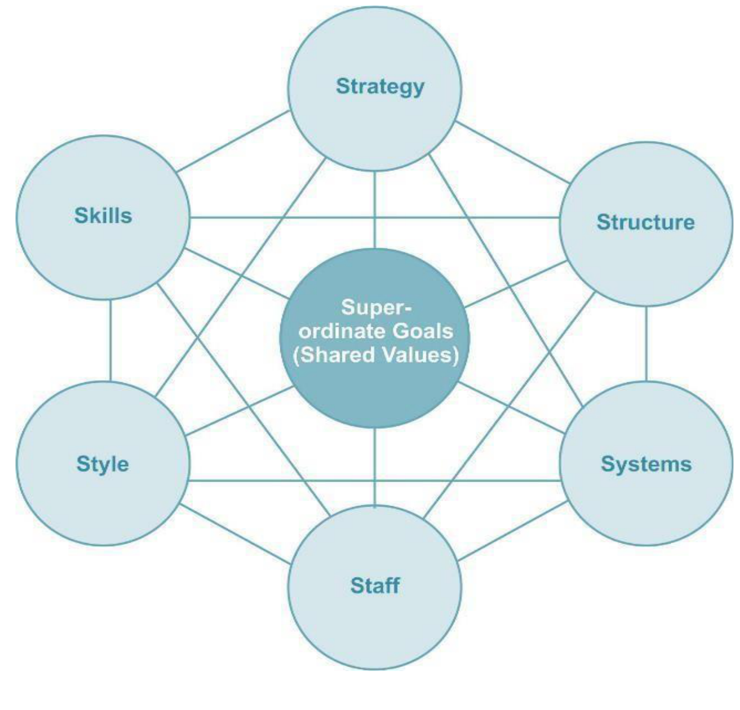
Any organisation may find the work of digital transformation challenging and overwhelming. To ensure that a digital transition is effective, change management is essential.

SOME POINTERS FOR NAVIGATING CHANGE DURING THE DIGITAL TRANSFORMATION		
1.	Specify the digital transformation's aims and objectives	o What is the intended outcome? o What are the precise objectives that must be accomplished? It will be easier to make sure that everyone is on the same page and pursuing the same aims if everyone has a clear grasp of the goals.
2.	Always, always, always communicate	o It might be challenging for people to accept change and adjust to it. o Ensure that you routinely and honestly discuss the objectives of the digital transformation and how they will affect stakeholders, including employees, clients, and other parties.
3.	Be ready for resistance	o Even when a change is for the better, it can be challenging for people to embrace it. Have a strategy in place for dealing with any resistance that may arise.
4.	Implement changes gradually	o Changes should ideally be implemented gradually rather than all at once. In order to avoid overwhelming individuals with too much change at once, this will give people time to become used to the new way of doing things.
5.	Offer assistance and training	o Workers will need guidance in the new procedures, software applications, etc.

ORGANIZATIONAL FRAMEWORK

MCKINSEY 7S MODEL

The McKinsey 7S Model refers to a tool that analyzes a company's "organizational design."	The goal of the model is to depict how effectiveness can be achieved in an organization through the interactions of hard and soft elements.	The McKinsey 7s Model focuses on how the "Soft Ss" and "Hard Ss" elements are interrelated, suggesting that modifying one aspect might have a ripple effect on the other elements in order to maintain an effective balance.



Hard elements are:

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

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

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

Soft elements are:

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

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

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

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

HARD ELEMENTS

- The Hard elements are directly controlled by the management.

The following elements are the hard elements in an organization:

I.	**Strategy**	○ The direction of the organization, a blueprint to build on a core competency and achieve competitive advantage to drive margins and lead the industry
II.	**Structure**	○ Depending on the availability of resources and the degree of centralisation or decentralization that the management desires, it choses from the available alternatives of organizational structures.
III.	**Systems**	○ The development of daily tasks, operations and teams to execute the goals and objectives in the most efficient and effective manner.

SOFT ELEMENTS

Difficult to define as they are more governed by the culture.

Equally important in determining an organization's success and growth in the industry.

The following are the soft elements in this model

I.	***Shared Values***	○ The core values which get reflected within the organizational culture or influence the code of ethics of the management.
II.	***Style***	○ This depicts the leadership style and how it influences the strategic decisions of the organisation.
III.	***Staff***	○ The talent pool of the organisation.
IV.	***Skills***	○ The core competencies or the key skills of the employees play a vital role in defining the organizational success.

LIMITATIONS OF MCKINSEY 7S MODEL

i.	○ It ignores the importance of the external environment and depicts only the most crucial elements within the organization.
ii.	○ The model does not clearly explain the concept of organizational effectivness or performance.
iii.	○ The model is considered to be more static and less flexible for deicion making.
iv.	○ It is generally criticized for missing out the reals gaps in conceptualization and execution of strategy.

ORGANIZATION STRUCTURE

"Changes in corporate strategy often require changes in the way an organization is structured."

Reasons behind need to bring change in structure when strategy is changed:

a.First, structure largely dictates how operational objectives and policies will be established to achieve the strategic objectives.

Objectives and policies are stated largely in terms of products in an organization whose structure is based on product groups.

The structural format for developing objectives and policies can significantly impact all other strategy-implementation activities.

Example: Objectives and policies established under a geographic organizational structure are couched in geographic terms.

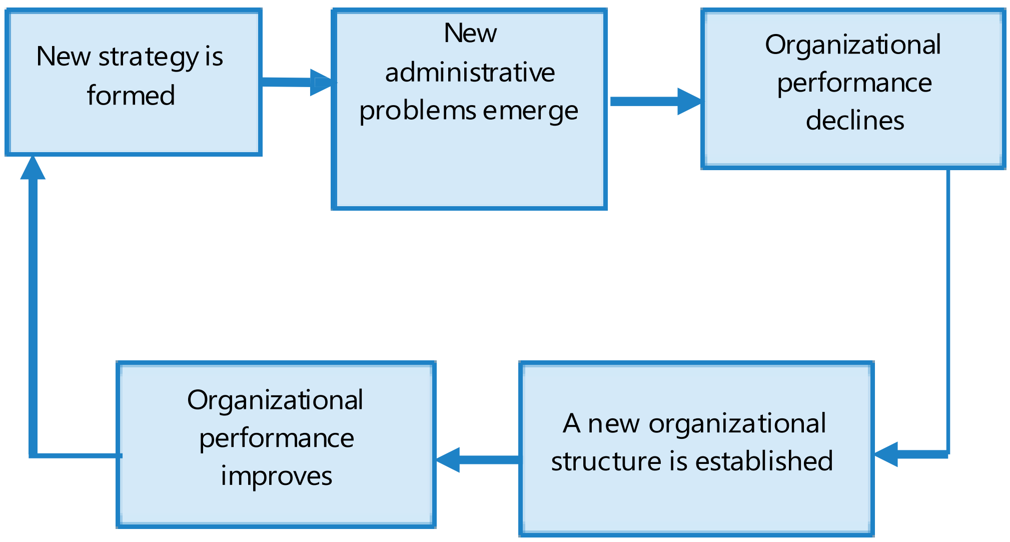
B. The second major reason why changes in strategy often require changes in structure is that structure dictates how resources will be allocated to achieve strategic objectives.

If an organization's structure is based on customer groups, then resources will be allocated in that manner.

Similarly, if an organization's structure is set up along functional business lines, then resources are allocated by functional areas.

ALFRED CHANDLER'S VIEW:

- According to Chandler, changes in strategy lead to changes in organizational structure.
- Chandler found a particular structure sequence to be often repeated as organizations grow and change strategy over time.



SYMPTOMS OF AN INEFFECTIVE ORGANIZATIONAL STRUCTURE INCLUDE

- Too many levels of management,
- Too many meetings attended by too many people,
- Too much attention being directed toward solving interdepartmental conflicts,
- Too large a span of control, and
- Too many unachieved objectives.

TYPES OF ORGANIZATION STRUCTURE

ORGANIZATIONAL STRUCTURE

Organizational structure is the company's formal configuration of its intended roles, procedures, governance mechanisms, authority, and decision-making processes.

FACTORS INFLUENCING ORGANIZATIONAL STRUCTURE:

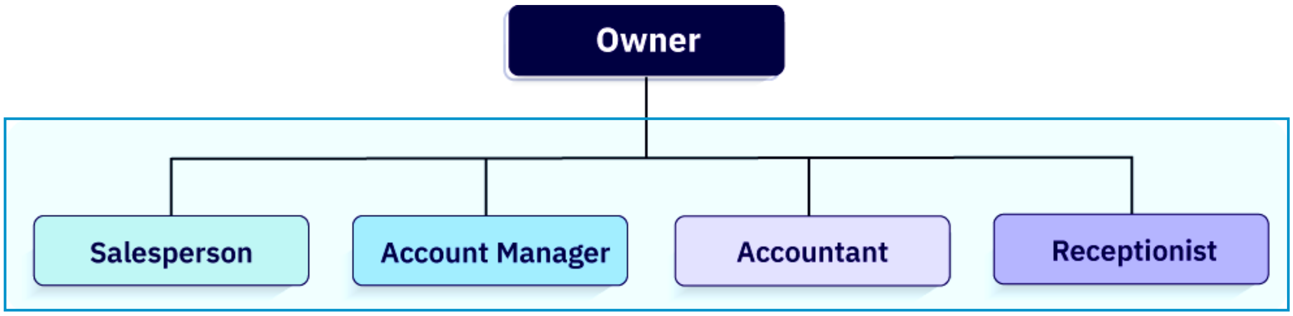
Organizational structure, influenced by factors such as an organization's age and size, acts as a framework which reflects managers' determination of what a company does and how tasks are completed, given the chosen strategy.

TYPES OF ORGANIZATIONAL STRUCTURES

- Simple Structure
- Functional Structure
- Divisional Structure
- Multi Divisional Structure
- Strategic Business Unit (SBU) Structure
- Matrix Structure
- Network Structure
- Hour Glass Structure

1. SIMPLE ORGANIZATIONAL STRUCTURE

- single-business strategy and offer a line of products in a single geographic market.
- appropriate for companies implementing focused cost leadership or focused differentiation.



- owner-manager makes all major decisions directly and monitors all activities,
- company's staff merely serves as an executor.

CHARACTERISTICS

- Little specialization of tasks
- Few rules
- Little formalization
- Unsophisticated information systems
- Direct involvement of owner-manager in all phases of day- to-day operations.
- Communication is frequent and direct,
- New products tend to be introduced to the market quickly, which can result in a competitive advantage.

Because of these characteristics, few of the coordination problems that are common in larger organizations exist.

- **may result in competitive advantages for some small companies relative to their larger counterparts.**
- **competitive advantages include a broad-based openness to innovation, greater structural flexibility, and an ability to respond more rapidly to environmental changes.**

WHY AND WHEN SIMPLE STRUCTURE IS CONVERTED INTO FUNCTIONAL STRUCTURE

If they are successful, small companies grow larger. As a result of this growth, the company outgrows the simple structure. Generally, there are significant increases in the amount of competitively relevant information that requires processing. More extensive and complicated information-processing requirements place significant pressures on owner-managers (often due to a lack of organizational skills or experience or simply due to lack of time).

Thus, it is incumbent on the company's managers to recognise the inadequacies or inefficiencies of the simple structure and change it to one that is more consistent with company's strategy.

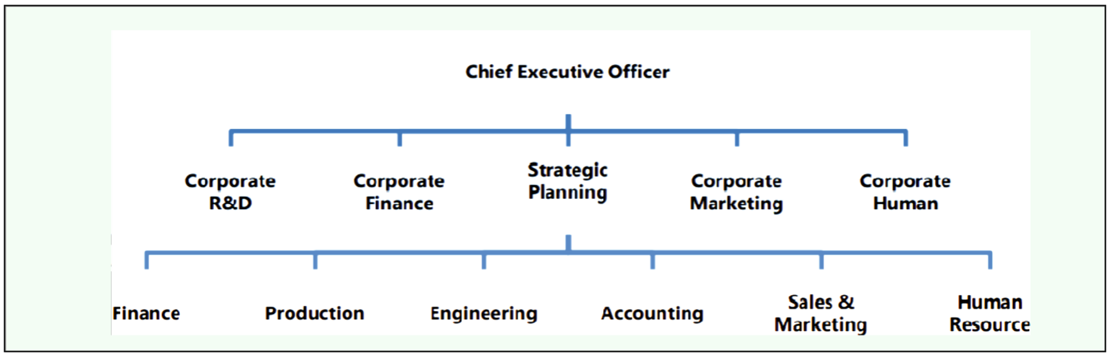
To coordinate more complex organizational functions, companies should abandon the simple structure in favour of the functional structure. The functional structure is used by larger companies and by companies with low levels of diversification.

2. FUNCTIONAL STRUCTURE

Widely used structure

Simple and low cost.

Groups tasks and activities by business function.



COMPOSITION

Chief executive officer or a managing director and supported by corporate staff with functional line managers.

CHARACTERISTICS/ADVANTAGES

I. Simple and inexpensive
ii. Promotes specialization of labour
iii. Encourages efficiency
iv. Minimizes the need for an elaborate control system
v. Allows rapid decision making.
vi. Enables the company to overcome the growth-related constraints of the simple structure
vii. Enables or facilitate communication and coordination.

POTENTIAL PROBLEMS

Differences in functional specialization and orientation may impede communications and coordination.

SOLUTION

Differences in functional specialization and orientation may impede communications and coordination.

WHEN AND WHY TO CHANGE FUNCTIONAL STRUCTURE INTO DIVISIONAL/MULTI-DIVISIONAL STRUCTURE

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.

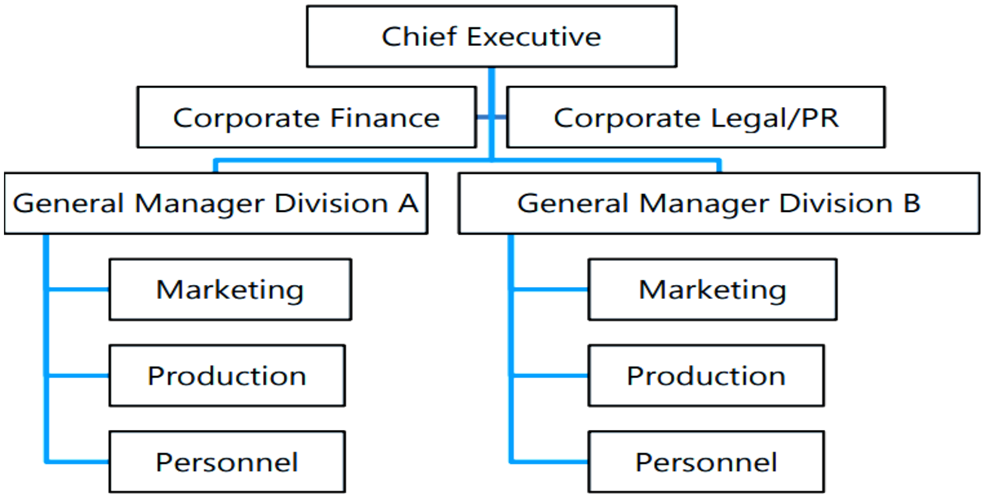
As a firm, grows year after year it faces difficulty in managing different products and services in different markets. Some form of divisional structure generally becomes necessary to motivate employees, control operations, and compete successfully in diverse locations.

3. DIVISIONAL STRUCTURE

- The divisional structure can be organized 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



ADVANTAGES

I. Accountability is clear: That is, divisional managers can be held responsible for sales and profit levels.
ii. Managers and employees can easily see the results of their good or bad performances: Because a divisional structure is based on extensive delegation of authority.
iii. Employee morale is generally higher.
iv. It creates career development opportunities for managers
v. Allows local control of local situations
vi. Leads to a competitive climate within an organization
vii. Allows new businesses and products in be added easily.

LIMITATIONS

I. Divisional structure is costly:

Reasons of this structure being costly are

- Each division requires functional specialists who must be paid.
- There exists some duplication of staff services, facilities, and personnel;
- Managers must be well qualified because the divisional design forces delegation of authority better-qualified individuals requires higher salaries.
- It requires an elaborate, headquarters-driven control system.

II.Certain regions, products, or customers may sometimes receive special treatment, and It may be difficult to maintain consistent, companywide practices.

A. A divisional structure by geographic area:

appropriate if strategies are formulated to fit the particular needs and characteristics of customers in different geographic areas.	appropriate for organizations that have similar branch facilities located in widely dispersed areas.	appropriate for organizations that have similar branch facilities located in widely dispersed areas.

B.The divisional structure by product (or services)

when specific products or services need special emphasis	widely used when an organization offers only a few products or services, when an organization's products or services differ substantially.	allows strict control over and attention to product lines, but it may also require a more skilled management force and reduced top management control.

Example: General Motors, DuPont, and Procter & Gamble use a divisional structure by product to implement strategies.

C. DIVISIONAL STRUCTURE BY CUSTOMER

When a few major customers are of paramount importance and many different services are provided to these customers.	cater effectively to the requirements of clearly defined customer groups.

Example: Book-publishing companies often organize their activities around customer groups such as colleges, secondary schools, and private commercial schools

4. MULTI DIVISIONAL STRUCTURE

- composed of operating divisions
- each division represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers.

- the corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.

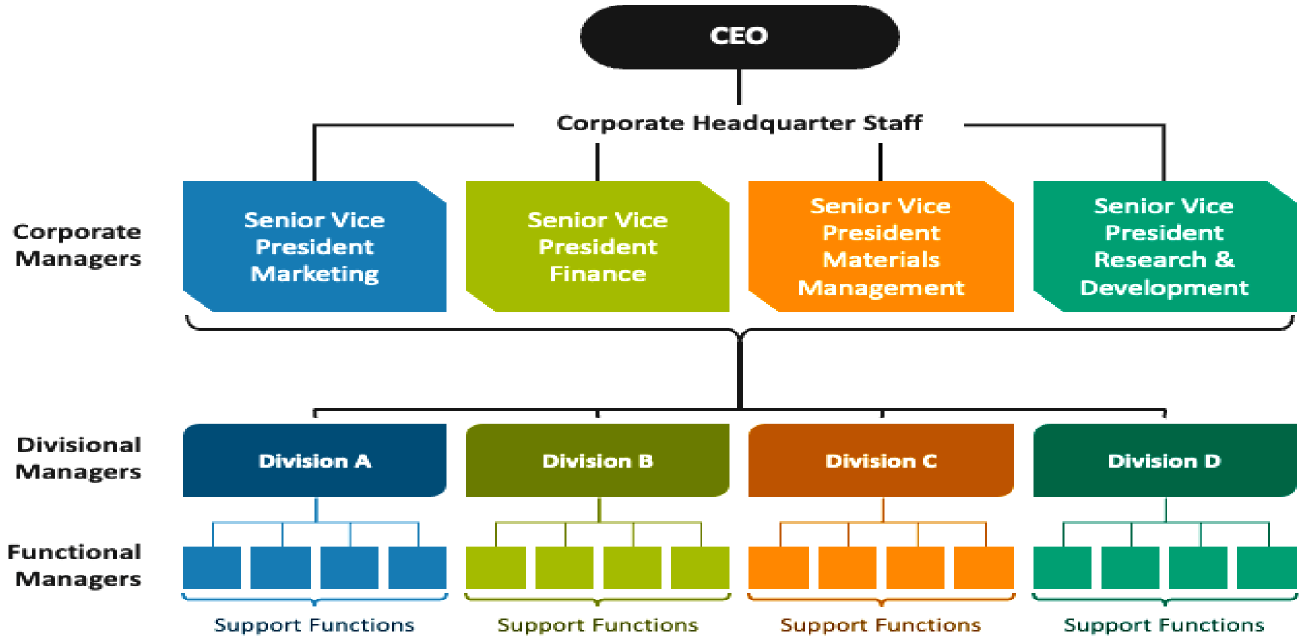
WHY WAS M-FORM STRUCTURE DEVELOPED?

Multidivisional or M-form structure was developed in the 1920s, in response to coordination- and control-related problems in large firms.

Functional departments often had difficulty dealing with distinct product lines and markets, especially in coordinating conflicting priorities among the products.

Costs were not allocated to individual products, so it was not possible to assess an individual product's profit contribution.

Loss of control meant that optimal allocation of firm resources between products was difficult (if not impossible) Top managers became over- involved in solving short-run problems (such as coordination, communications, conflict resolution) and neglected long-term strategic issues.



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-to-day operations;	A small corporate office tha t would determine the long-term strategic direction of the firm and exercise overall financial control over the semi- autonomous divisions.

5. STRATEGIC BUSINESS UNIT (SBU) STRUCTURE

- SBU Structure is relevant to multi-product, multi-business enterprises.

WHAT IS THE BEST WAY OF GROUPING THE PRODUCTS/BUSINESSES OF SUCH LARGE ENTERPRISES?

➡ **An SBU is a grouping of related businesses, which is amenable to composite planning treatment.**

A multi-business enterprise groups its multitude of businesses into a few distinct business units in a scientific way.

The purpose is to provide effective strategic planning treatment to each one of its products/businesses.

5. STRATEGIC BUSINESS UNIT (SBU) STRUCTURE

The three most important characteristics of a SBU are:

I. It is a single business or a collection of related businesses

II. It has its own set of competitors.

iv. It has a manager

TERRITORIAL STRUCTURE VS SBU STRUCTURE

Historically, large, multi-business firms were handling business planning on a territorial basis since their structure was territorial. And in many cases, such a structure was the outcome of manufacturing or distribution logistics. Often, the territorial structure did not suit the purpose of strategic planning.

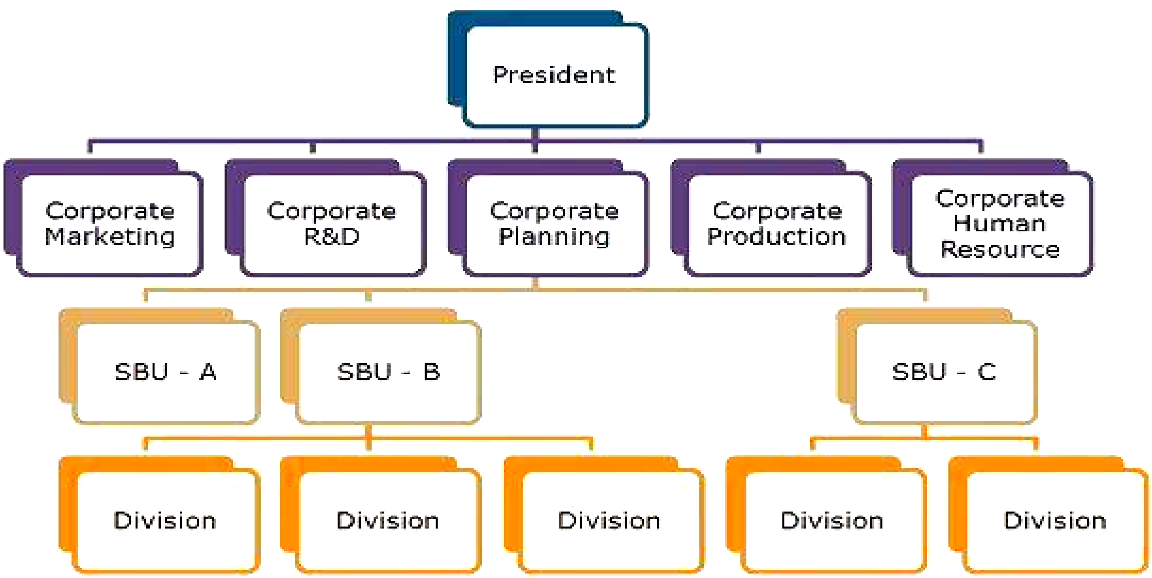
When strategic planning was carried out treating territories as the units for planning, it gave rise to two kin of difficulties:

(I) Since several territorial units handled the same product, the same product was getting varied strategic planning treatments; and

(ii) (ii) since a given territorial planning unit carried different and unrelated products, products with dissimilar characteristics were getting identical strategic planning treatment.

COMPOSITION

- composed of operating units each unit represents a separate business top corporate officer delegates responsibility for day-to-day operations and business unit strategy to its managers.
- By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages SBUs through strategic and financial controls.
- The SBU structure groups similar products into strategic business units and delegates authority and responsibility for each unit to a senior executive who reports directly to the chief executive officer.
- three levels, with a corporate headquarters at the top, SBU groups at the second level, and divisions grouped by relatedness within each SBU at the third level.



- within each SBU, divisions are related to each other, as also that SBU groups are unrelated to each other.
- Within each SBU, divisions producing similar products and/or using similar technologies can be organised to achieve synergy.
- 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.

Example: Sony

ATTRIBUTES AND BENEFITS OF SBU STRUCTURE

The attributes of an SBU and the benefits a firm may derive by using the SBU Structure are

1.	A scientific method of grouping the businesses of a multi-business corporation which helps the firm in strategic planning.
2.	An improvement over the territorial grouping of businesses and strategic planning based on territorial units.
3.	An SBU is a grouping of related businesses that can be taken up for strategic planning distinct from the rest of the businesses.
	Products/businesses within an SBU receive same strategic planning treatment and priorities.
4.	The task consists of analysing and segregating the assortment of businesses/portfolios and regrouping them into a few, well defined, distinct, scientifically demarcated business units.
	Products/businesses that are related from the standpoint of "function" are assembled together as a distinct SBU.
5.	Unrelated products/businesses in any group are separated.
	If they could be assigned to any other SBU applying the criterion of functional relation, they are assigned; accordingly, otherwise they are made into separate SBUs.
6.	Grouping the businesses on SBU lines helps the firm in strategic planning by removing the vagueness and confusion generally seen in grouping businesses; it also facilitates the right setting for correct strategic planning and facilitates correct relative priorities and resources to the various businesses.
7.	Each SBU is a separate business from the strategic planning standpoint.
	In the basic factors, viz., mission, objectives, competition and strategy-one SBU will be distinct from another.
8.	Each SBU will have its own distinct set of competitors and its own distinct strategy.
9.	Each SBU will have a CEO.
	He will be responsible for strategic planning for the SBU and its profit performance; he will also have control over most of the factors affecting the profit of the SBU.

CORPORATE LEVEL NEED TO DEAL WITH THE QUESTION THAT, WHETHER THE CORPORATE BODY WISHES TO HAVE A RELATED SET OF SBUS OR NOT; AND IF SO, ON WHAT BASIS?

This issue of relatedness in turn has direct implications on decisions about diversification relatedness might exist in different ways:

A. SBUs might build on similar technologies, or all provide similar sorts of products or services.

B. SBUs might be serving similar or different markets. Even if technology or products differ, it may be that the customers are similar. For example, the technologies underpinning frozen food, washing powders and margarine production may be very different; but all are sold through retail operations, and Unilever operates in all these product fields.

C. Or it may be that other competences on which the competitive advantage of different SBUs is built have similarities. Unilever would argue that the marketing skills associated with the three product markets are similar example.

6. MATRIX STRUCTURE

- appropriate when organizations conclude that neither functional nor divisional forms when combined with horizontal linking mechanisms like strategic business units, are right for the implementation of their strategies., even

CHARACTERISTICS OF MATRIX STRUCTURE

- functional and product forms are combined simultaneously at the same level of the organization.
- Employees have two superiors, a product or project manager and a functional manager.
- The "home" department is usually functional and is reasonably permanent.
- People from these functional units are often assigned temporarily to one or more product units or projects.
- The product units or projects are usually temporary and act like divisions in that they are differentiated on a product-market basis.
- most complex of all designs
- both vertical and horizontal flows of authority and communication (hence the term matrix).
- A matrix structure can result in higher overhead because it has more management positions.
- Dual lines of budget authority (a violation of the unity command principle)
- Dual sources of reward and punishment
- Shared authority
- Dual reporting channels
- Need for an extensive and effective communication system.

INDUSTRIES IN WHICH MATRIX STRUCTURE IS USED MOST ARE

Construction	Healthcare	Research	Defence ETC.

ADVANTAGES

I.	II.	III.	IV.
Project objectives are clear	Many channels of communication	Workers can see the visible results of their work	Shutting down a project is accomplished relatively easily. ETC.

CONDITIONS TO MAKE MATRIX STRUCTURE EFFECTIVE

In order for a matrix structure to be effective, organizations need

- Planning
- Training
- Clear mutual understanding of roles and responsibilities
- Excellent internal communication
- Mutual trust and confidence.

CONDITION BEHIND HAVING MATRIX STRUCTURE IN AN ORGANIZATION OR SBU

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

I. Ideas need to be cross-fertilised across projects or products.

ii. Resources are scarce.

iii. Abilities to process information and to make decisions need to be improved.

DEVELOPMENT OF MATRIX STRUCTURE BY DAVIS & LAWRENCE

For development of matrix structure Davis and Lawrence, have proposed three distinct phases:

1) CROSS-FUNCTIONAL TASK FORCES

initially used when a new product line is being introduced.

A project manager is in charge as the key horizontal link.

2) PRODUCT/BRAND MANAGEMENT

If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager, and a second phase begins.

In this arrangement, function is still the primary organizational structure, but product or brand managers act as the integrators of semi-permanent products or brands.

3) MATURE MATRIX

The third and final phase of matrix development involves a true dual-authority structure. Both the functional and product structures are permanent.

All employees are connected to both a vertical functional superior and a horizontal product manager.

Functional and product managers have equal authority and must work well together to resolve disagreements over resources and priorities.

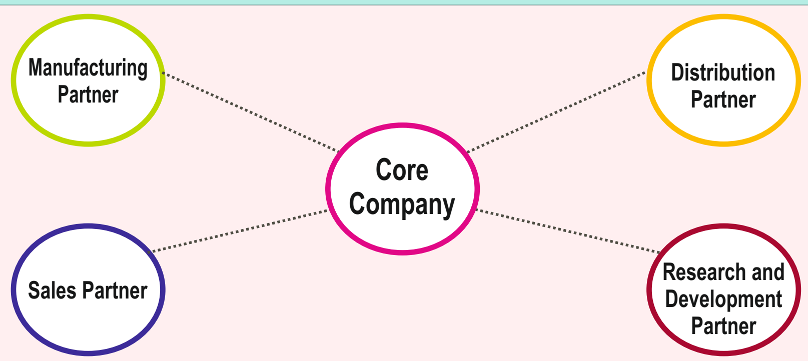
OLD ORGANIZATIONAL DESIGN VS NEW ORGANIZATIONAL DESIGN

OLD ORGANIZATIONAL DESIGN	NEW ORGANIZATIONAL DESIGN
One Large corporation	Multi-business units and cooperative relationships
Vertical communication	Horizontal communication
Centralised top-down decision making	Decentralised participative decision making
Vertical integration	Outsourcing and virtual organizations
Work/quality teams	Autonomous work teams
Functional work teams	Cross functional work teams

6. NETWORK STRUCTURE

"OUTSOURCING BASED STRUCTURE."

- "non-structure" by its virtual elimination of in-house business functions.
- Many activities are outsourced.
- virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non- hierarchical, cobweb- like networks.
- most useful when the environment of a firm is unstable.
- Instead of having salaried employees, it may contract with people for a specific project.
- Long-term contracts with suppliers and distributors instead of vertical integration.
- Electronic markets and sophisticated information systems reduce the transaction costs of the marketplace, thus justifying a "buy" over a "make" decision.
- The organization's business functions are scattered in different geographical locations.
- The organization is, in effect, only a shell, with a small headquarters acting as a "broker", electronically connected to some completely owned divisions, partially owned subsidiaries, and other independent organisation.
- In its ultimate form, the network organization is a series of independent firms or business units linked together by a common system that designs, produces, and markets a product or service.



Example: Companies like Airtel use the network structure in their operations function by subcontracting manufacturing to other companies in low-cost.

ADVANTAGES

A properly implemented change management strategy can help an organization to:

Concentrate on its distinctive competencies, while gathering efficiencies from other firms.

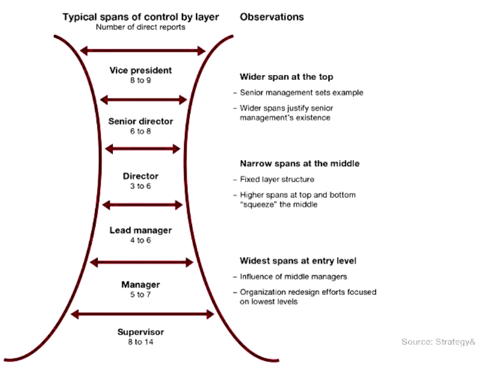
DISADVANTAGES

- The availability of numerous potential partners can be a source of trouble.
- Contracting out functions to separate suppliers/distributors may keep the firm from discovering any synergies by combining activities.
- If a particular firm over specialises on only a few functions, it runs the risk of choosing the wrong functions and thus becoming non-competitive.

7. HOURGLASS STRUCTURE

"Result of impact of Information technology and Communication."

- information technology and communications have significantly altered the functioning of organizations.
- The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.
- Hourglass organization 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 organization taking away many tasks that are performed by the middle level managers

A shrunken middle layer coordinates diverse lower-level activity.

Generalists instead of specialists at the middle level.

They would be handling cross-functional issues emanating such as those from marketing, finance or production

ADVANTAGES

(I) Reduced costs.

(i) Enhanced responsiveness by simplifying decision making.

(ii) Quick decision making

DISADVANTAGES

(I) Promotion opportunities for the lower levels diminish significantly.

(ii) Continuity at same level may bring monotony and lack of interest.

(iii) Low motivation levels high.

HOW TO OVERCOME DISADVANTAGES

Organisations try to overcome these problems by assigning challenging tasks, transferring laterally, and having a system of proper rewards for performance.

ORGANIZATION CULTURE

- Every organisation has a unique organizational culture.
- Philosophy and principles, history, values, and rituals, problem-solving, and own work climate.
- It has its own embedded patterns of how to do things.
- Its own ingrained beliefs and thought patterns, and practices that define its corporate culture.

CORPORATE CULTURE

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

WHERE DOES CORPORATE CULTURE COME FROM

A company's culture is reflected in its values, business principles, ethics, stakeholder relationships, traditions, supervisory practices, employee behavior, and workplace dynamics.

These cultural elements can emerge from any level of the organization and are often reinforced through repeated stories that highlight key values and beliefs.

CULTURE: ALLY OR OBSTACLE TO STRATEGY EXECUTION?

- An organization's culture can either support or hinder strategy execution. When aligned with the company's vision and practices, culture aids implementation.
- However, if it conflicts with strategic goals, it becomes a barrier to success.

ROLE OF CULTURE IN STRATEGY EXECUTION

A strong culture enhances strategy execution when aligned but hinders it when misaligned

A culture rooted in supportive values and practices motivates employees, boosting execution effectiveness.

Example: A culture where frugality and thrift are values strongly shared by organizational members is very conducive to successful execution of a low-cost leadership strategy.

- A culture that fosters creativity, adaptability, and customer focus enhances strategy execution.
- When aligned with strategic goals, it creates informal rules, peer support, and motivation, shaping work habits, collaboration, and customer interactions.
- A strong strategy-supportive culture boosts employee commitment, enthusiasm, and identification with the company's vision, driving effective execution.

PERILS OF STRATEGY-CULTURE CONFLICT

- When a company's culture is out of sync with what is needed for strategic success, the culture has to be changed as rapidly as can be managed.
- While correcting a strategy- culture conflict can occasionally mean revamping strategy to produce cultural fit, more usually it means revamping the mismatched cultural features to produce strategy fit.

CREATING A STRONG FIT BETWEEN STRATEGY AND CULTURE

It is the strategy maker's responsibility to select a strategy compatible with the “sacred” or unchangeable parts of prevailing corporate culture.

It is the strategy implementer's task, once strategy is chosen, to change whatever facets of the corporate culture hinder effective execution

CHANGING A PROBLEM CULTURE

Changing a company's culture to align it with strategy is among the toughest management tasks-- easier to talk about than do.

Steps involved in changing problem culture are

- A focused, invested, united leadership that is on the same page about the company's future is reflected in change that begins at the top.
- The culture that will motivate the rest of the organisation to accept change can only be generated and promoted in this way.

A. FIRST STEP

The first step is to diagnose which facets of the present culture are strategy supportive and which are not.

B. SECOND STEP

Managers must talk openly and forthrightly to all concerned about those aspects of the culture that must be changed.

C. FINAL STEP

The talk has to be followed swiftly by visible, aggressive actions to modify the culture- actions that everyone will understand are intended to establish a new culture more in tune with the strategy.

The menu of culture-changing actions includes:

- Revising policies and procedures in ways that will help drive cultural change.
- Altering incentive compensation (to reward the desired cultural behaviour).
- Visibly praising and recognizing people who display the new cultural traits
- Recruiting and hiring new managers and employees who have the desired cultural values and can serve as role models for the desired cultural behaviour.
- Replacing key executives who are strongly associated with the old culture.
- Taking every opportunity to communicate to employees the basis for cultural change and its benefits to all concerned.

STRATEGIC LEADERSHIP

Strategic leadership sets the firms direction by;

- developing and communicating vision of future,
- formulate strategies
- brings about changes required to implement strategies and
- inspire the staff to contribute to strategy execution.

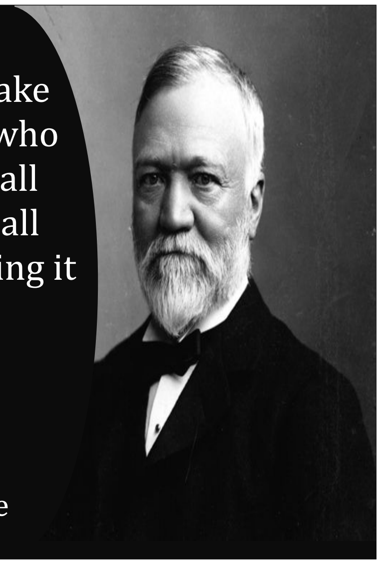
LEADERSHIP ROLES PLAYED BY A MANAGER

A manager as a strategic leader has to play many leadership roles to play:

- Visionary
- Chief entrepreneur and strategist
- Chief administrator
- Culture builder
- Resource acquirer and allocator
- Capabilities builder
- Process integrator
- Crisis manager
- Spokesperson
- Negotiator. ETC.

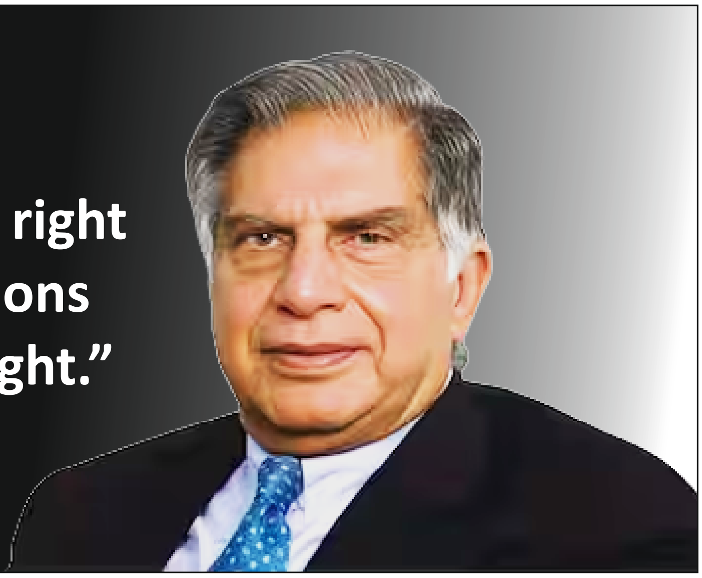
No man will make a great leader who wants to do it all himself or get all the credit for doing it

— Andrew Carnegie



“I don’t **believe** in taking right decisions, I take decisions and then make them right.”

– **Ratan Tata**



FIVE LEADERSHIP ROLES

Managers have five leadership roles to play in pushing for good strategy execution

1.	► Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.
2.	► Promoting a culture of esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
3.	► Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.
4.	► Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen
5.	► Pushing corrective actions to improve strategy execution and overall strategic performance.

In the today's competitive landscape, strategic leaders are challenged to adapt their frames of reference so that they can deal with rapid, complex changes.

MANAGERIAL FRAME OF REFERENCE

A manager's frame of reference is the foundation on which a manager's mindset is built.

The importance of a manager's frame of reference can be seen if we perceive those competitive battles are not between companies or products but between mindsets or managerial frames.

This implies that effective strategic leaders must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape.

Responsibilities of Strategic Leader:

A Strategic leader has several responsibilities, including the following:

I. Making strategic decisions.
ii. Formulating policies and action plans to implement strategic decision.
iii. Ensuring effective communication in the organisation.
iv. Managing human capital (perhaps the most critical of the strategic leader's skills).
v. Managing change in the organisation.
vi. Creating and sustaining strong corporate culture.
vii. Sustaining high performance over time.

Strategic Leadership vs Managerial Leadership

Strategic leadership sets the firm's direction by developing and communicating a vision of future and inspire organization members to move in that direction

APPROACHES TO LEADERSHIP

Two basic approaches to leadership are:

A. Transactional leadership style

B. Transformational leadership style

Transactional leadership style	Transformational leadership style
○ Transactional leadership focuses on system design and control.	○ Transformational leaders use charisma to inspire others.
○ Leaders build on culture and enhance practices.	○ Effective in turbulent and changing environments.
○ Motivation is formalized with clear rewards and penalties.	Ideal for new, declining, or struggling industries.
○ Suitable for stable environments and mature industries.	○ Provides vision, excitement, and intellectual stimulation.
○ Helps improve efficiency and smooth operations.	○ Creates a mission-driven culture with higher purpose.
○ Relies on authority to exchange rewards and status.	○ Encourages confidence, growth, and organizational innovation.

STRATEGIC CONTROL

Control

- Ensures planned activities meet predetermined goals.
- Regulates behavior, curbing undesirable tendencies
- Monitors performance, measures progress, corrects deviations.
- Helps organizations learn, grow, and adapt.

ELEMENTS OF PROCESS OF CONTROL

The process of control has the following elements:

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

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

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

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

TYPES OF ORGANIZATIONAL CONTROLS

Primarily there are three types of organizational control:

A. Operational control **B.** Management control **C.** Strategic control

A. Operational Control vs B. Management Control

Operational Control	Management Control
○ Operational control focuses on individual tasks or transactions.	○ Management control covers entire departments or organizations.
○ It relies on measurable input-output relationships with minimal uncertainty.	○ Ensures short- and long-term enterprise goals.
○ Most control systems are operational and mechanistic.	○ Defined as securing and using resources efficiently.
○ Processes are regulated within set tolerances.	○ Controls guide events to align with plans.
○ Examples include stock, production, quality, cost, and budgetary control.	○ Management control covers entire departments or organizations.

C. Strategic Control

According to Schendel and Hofer:

Strategic control focuses on the dual questions of whether:

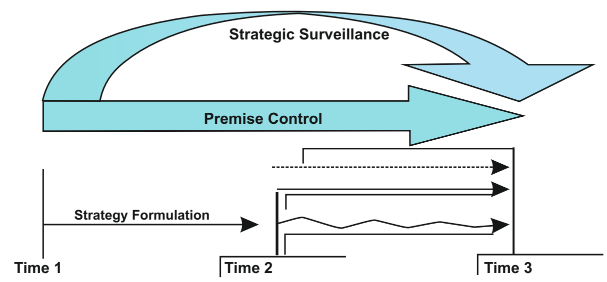
- The strategy is being implemented as planned; and
- The results produced by the strategy are those intended.

- There is often a time gap between the stages of strategy formulation and its implementation. A strategy might be affected on account of changes in internal and external environments of organisation.
- There is a need for warning systems to track a strategy as it is being implemented.
- Strategic control is the process of evaluating strategy as it is formulated and implemented.
- It is directed towards identifying problems and changes in premises and making necessary adjustments.

TYPES OF STRATEGIC CONTROL

here are four types of strategic controls:

1. Premises Control
2. Strategic Surveillance
3. Special Alert Control
4. Implementation Control



Control	Description
Premise control	Strategy is based on assumptions about a dynamic environment. Over time, these assumptions may become invalid. Premise control monitors key environmental and industry factors. Factors include economic, technological, social, and competitive changes. Different premises require varying levels of control. Managers focus on critical premises that impact strategy.
Strategic surveillance	Strategic surveillance is broad and unfocused. Monitors various sources for unexpected strategic insights. Involves casual environmental scanning and browsing. Includes reading, meetings, and discussions. Though loose, it can reveal crucial strategic information.
Special alert control	Unexpected events may necessitate strategy reassessment. Triggers include political, natural, or competitive disruptions. Crisis management teams handle such situations effectively.
Implementation control	Strategy is implemented through sequential, incremental actions. Implementation control evaluates strategy based on unfolding events. It supplements, not replaces, operational control. Monitoring strategic thrusts ensures strategy stays on track. Milestone reviews assess key activities and strategy direction.

STRATEGIC PERFORMANCE MEASURES

Strategic performance measurement (SPM)

- SPM aligns executives with strategic goals and tracks progress.
- It fosters collaboration by eliminating organizational silos.
- Strategic performance measures assess strategy effectiveness.
- They help leaders adjust strategies for better outcomes.
- KPIs must be well-defined, reported, and acted upon.
- Clear cause-effect links ensure KPIs drive desired behavior.

NOTE: MANAGERS SHOULD BE AWARE OF PARALYSIS BY OVER ANALYSIS

MANAGING THE POLITICAL ASPECTS OF IMPLEMENTING A STRATEGY

People involved in the planning process for the implementation of a strategy may be affected by two sets of forces.

✓The "rational" forces of openness, communication, and self-analysis can exist on the one hand.

✓Political forces concerned with preserving empires and fostering internal rivalry that urge knowledge retention, selective communication, and caution.

When these two techniques conflict, the politically acceptable aspects may end up in the explicit strategy while the sensitive elements may form an unspoken plan that contains the implicit strategy.

TYPES OF STRATEGIC PERFORMANCE MEASURES

There are various types of strategic performance measures, including:

1. Financial Measures
2. Customer Satisfaction Measures
3. Market Measures
4. Employee Measures
5. Innovation Measures
6. Environmental Measures

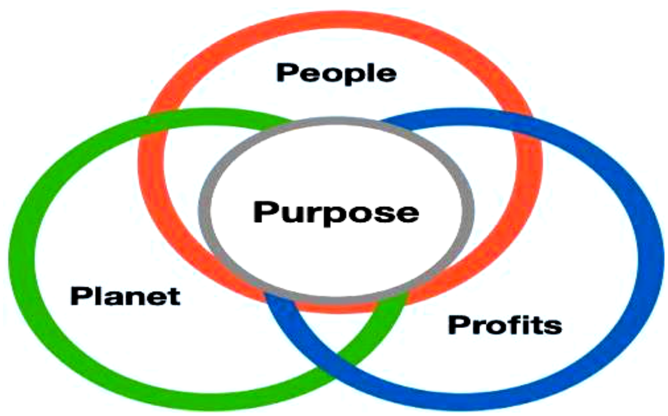
Measures	How it helps/What understanding it provides	Examples of measures
1. Financial Measures	Measures assess financial performance and profitability.	Revenue growth Return on investment (ROI) Profit margins. ETC.
2. Customer Satisfaction Measures	Evaluate ability to meet customer needs and quality.	Customer satisfaction Customer retention Customer loyalty. ETC.
3. Market Measures	Indicate market competitiveness and customer retention.	Market share Customer acquisition Customer referrals ETC.
4. Employee Measures	Track talent retention and workplace environment.	Employee satisfaction Turnover rate Employee engagement. ETC.
5. Innovation Measures	Assess innovation and new product development.	Research and development (R&D) spending Patent applications New product launches. ETC.
6. Environmental Measures	Measure environmental impact and sustainability efforts.	Energy consumption Waste reduction Carbon emissions. ETC.

Toward More Holistic Measures of Strategic Performance

Triple Bottom Line framework (TBL)

Development of management thought, and practice has persistently pushed the frontier of strategic performance beyond financial metrics. Thus, the Triple Bottom Line framework (TBL) emphasises People and Planetary Concerns besides profitability or Economic Prosperity alone.

The Quadruple Bottomline adds the 4th P to add a spiritual dimension named 'Purpose.'



THE IMPORTANCE OF STRATEGIC PERFORMANCE MEASURES

Strategic performance measures are essential for organizations for several reasons:

1. Goal Alignment – Ensures strategies align with objectives.
2. Resource Allocation – Guides efficient use of resources.
3. Continuous Improvement – Tracks progress for ongoing enhancement.
4. External Accountability – Ensures transparency for stakeholders.

CHOOSING THE RIGHT STRATEGIC PERFORMANCE MEASURES

Organizations should choose strategic performance measures that are aligned with their goals and objectives and that provide relevant and actionable information.

In selecting the right measures, organizations should consider the following factors:

1.Relevance: The measure should be relevant to the organization's goals and objectives and provide information that is actionable and meaningful.

2.Data Availability: The measure should be based on data that is readily available and can be collected and analyzed in a timely manner.

3.Data Quality: The measure should be based on high-quality data that is accurate and reliable.

4.Data Timeliness: The measure should be based on data that is current and up-to-date, enabling organizations to make informed decisions in a timely manner.