INDIGOLEARN

CMA – Inter Paper 9 – Strategic Management

www.IndigoLearn.com
9640 11111 0

1Fin by Indigolearn

#StudentFirst



Experience the world of e-learning



Online classes by faculties with AIRs

1FIN
BY INDIGOLEARN



Comprehensive coverage with cool visual effects



MCQ's with personalised analytics



Notes and flash cards at one click

Download our APP - 1FIN

Table of Contents

8.Introduction to Strategic Management 3
9.Strategic Analysis and Strategic Planning 23
10. Formulation and Implementation of Strategy 54

8.Introduction to Strategic Management

Vision, Mission and Objectives

Concept of Strategy

- 'Strategy' is something that has to do with war and ways to win over enemy.
- Businesses have a set of goals, objectives and mission
- *Strategy seeks to relate the goals of the organization to the means of achieving them. It is the action plan for **achieving the long- term goals of an organization.***
- Businesses function in a dynamic and ever-changing environment.
- Strategies **help businesses to reduce the impact uncertainties caused by environment**.
- Strategies also help business to gain control over situations [caused by internal as well as external environments] with a long-range perspective.
- Strategies help businesses to secure advantageous position
- Strategies are consciously considered [It doesn't happen on its own]
- **It helps companies/businesses to**
  - Mobilize resources
  - Direct human behavior
  - Handle events and problems
  - Identify and utilize opportunities
  - Meet challenges and threats
  - Ensure corporate survival and success



Are Goals and Objectives alone sufficient?

- Objectives and goals do not provided direction to organizations.
- An organization needs direction and focus
- Strategy provides a sense of direction to achieve goals and objectives.

Do Strategies replace management?

- Strategy is not a substitute to management.
- Strategies are flexible and require intervention of management to respond to the changing environment.
- Strategies are not perfect or flawless.
- A sound and alert management is necessary to execute the best of strategies

A cricket team may have a perfect strategy but if the captain is unable to implement it or respond to the changes in match situation, the strategy will not be successful.

Strategies are both Proactive and Reactive

- Proactive actions on the part of managers to improve the company's market position and financial performance and
- Reactions to unanticipated developments and fresh market conditions.
- A company uses both proactive and reactive strategies to cope up the uncertain business environment.
- Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances.
- A reactive strategy can also be considered as a response to new learnings as a strategy is implemented. [Improvements to existing strategies]

Proactive = before event occurs/Based on anticipated events

Reactive = after even occurs/Not anticipated in advance.

Levels of Strategy

I. Corporate Level – At the level of Company

II. Business Level – At the level of Business (SBUs)

III. Functional Level – At the level of functions (finance, marketing etc.)

Concept of Management

What?	A group of people	Set of inter-related functions and processes carried out by the management (group of people)
Purpose?	To make an organization a purposeful entity	To attain organization objectives
How?	By bringing together and integrating resources like money, material, manpower, machinery, technology etc.	Performing functions like planning, organizing, directing, staffing and control.
Importance	The survival of an organization depends to a large extent on the competency of the management.	To determine goals, mobilize resources, design organization, allocation of tasks and achieving the objectives.

Managers formulate organizational goals, values and strategies, to cope with, to adapt and to adjust themselves with the behavior and changes in the environment.

Benefits [CLAPODD]

S.No.	Points	Key words or sentence to be include in explanation of point
1.	Direction	Defines goal and realistic objective which are in line with vision of company.
2.	Proactive instead of reactive	Organization able to analyze and take action instead of mere spectators. It helps to avoid or reduce the effect of uncertainties.
3.	Framework for decision	Framework for all major decision such as decision on businesses, products, Markets, manufacturing facilities, investment and organizational structure.
4.	Futuristic and Opportunities	organization to face the future and act as a pathfinder to various business opportunities
5.	Avoids mistakes	Act as a corporate defense mechanism and help to avoid costly mistakes.

6.	Longevity	Organization work in competitive and dynamic environment. Strategic management helps to take a clear stand in relate industry and make sure it is not surviving on luck.
7.	Core Competencies and Competitive Advantages	Develop core competency and competitive advantage that would facilitate assist in its fight for survival and growth.

Concept of Strategic Management

- *DEFINITION*: A managerial process of developing
  1. Strategic vision
  2. Setting objective
  3. Crafting strategy (Strategy Planning)
  4. Implementing the strategy
  5. Initiating corrective adjustments
  6. Evaluation of strategy

- *Objective of Strategic management*

  To create Competitive advantage,

  Why competitive advantage?

  So that the company can outperform the competitors in order to have dominance over the market.

  To guide the company successfully through all changes in the environment.

- *Strategic planning*
  - Involves developing a strategy to meet competition
  - Ensure long term survival and growth of the company.

- *Strategic Management Involves SWOT Analysis (Strength, weakness, opportunities, threat). It includes Monitoring and evaluating opportunities and threats and analyzing companies strength and weakness*
- Why SWOT Analysis: To design strategies for the survival and growth of the company.

Survival of fittest theory applicable on business organization also. Not only "strongest" but those who can change and adapt successfully to the change in business environment.

- ## *Benefits of Strategic Management*
  - The strategic management gives a direction to the company to move ahead. It defines the goals and mission.
  - It helps management to define realistic objectives and goals which are in line with the vision of the company.
  - Strategic management helps organisations to be proactive instead of reactive in shaping its future. They are able to control their destination in a better manner.
  - Strategic management provides framework for all major decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure.
  - It provides better guidance to entire organisation on the crucial point - what it is trying to do.
  - Strategic management seeks to prepare the organisation to face the future
  - Organisations are able to identify the available opportunities and identify ways and means as how to reach them.
  - Strategic management serves as a corporate defence mechanism against mistakes and pitfalls.
  - Strategic management helps to enhance the longevity of the business.
  - Strategic management helps the organisation to develop certain core competencies and competitive advantages that would facilitate assist in its fight for survival and growth.

- ## *Limitation of Strategic Management*

S. No	Points	Key words or sentence to be include in explanation of point
1.	Complex Environment	Highly complex and **turbulent.**
2.	Time Consuming Process	Spend lot of time in preparing and communicating
3.	Costly Process	Expert Strategic planners need to be engaged
4.	Competitive Responses to Strategy	All trying to move strategically and makes difficult to estimate the competitive response to organization strategy.

Strategic Levels in business organisation

Corporate Level

Who is involved	CEO, Board of Directors.
Role	To oversee the development of strategies for the whole organization.
Activities	Set Vision, Defining Mission, Deciding businesses to be in, allocating resources among different Business, Formulating and implementing strategies, providing leadership, Managing divestment and acquisition processes.

BUSINESS LEVEL

Who is involved	Divisional Manager and staff
Role	Translate the ***general statement*** of direction and intent that come from corporate level into concrete strategies for individual business
Activities	Setting goals, Design strategies, implementing strategies for particular product line in align with Corporate strategy.

Definition of SBUs

A particular segment of an organization who work together to bring a particular product or service to market. [Covered in detail in later chapters]

FUNCTIONAL LEVEL

Who is involved	Functional Manager like Finance manager.
Role	Responsible for specific business functions or operation Like marketing.
What to do	To develop functional strategies in their area that help fulfill the Strategic objectives set by business and corporate level general Manager.

Functional manager provides information to business and corporate level general manager to formulate realistic and attainable Strategies.

Strategy and Competitive Advantage:

The business environment is highly dynamic & evolving and hence businesses need to find unique strategies to stay competitive & succeed. The external environment affects the internal environment of the firm.

The objective of a competitive strategy is to –



Competitive advantage comes from a firm's ability to perform activities more effectively than its rivals. What is more important is whether the competitive advantage is sustainable.

A competitive strategy consists of these actions-



Competitive Landscape

Competitive landscape is about identifying & understanding the competitors & at the same time it permits the comprehension of their mission, vision, core values, niche market, strengths & weaknesses.

Understanding of competitive landscape requires an application of "competitive intelligence".

In-depth investigation & analysis of a firm's competition allows it to assess the competitor's strengths & weaknesses in the market & helps it to choose & implement effective strategies that will improve its competitive advantage.

Steps to understand Competitive Landscape



MCQs

1. Which of the following statement is not true with regards to strategy?
a) Strategy reduces uncertainty.
b) Strategy is long range blueprint of desired position.
c) Strategy relates organisations to the external environment.
d) Strategy is perfect and flawless.

2. What can be defined as the art and science of formulating, implementing and evaluating cross- functional decisions that enable an organization to achieve its objectives?

a) Strategy formulation
b) Strategy evaluation
c) Strategy implementation
d) Strategic management

3. Financial objectives involve all of the following except:

a) Growth in revenues
b) Larger market share
c) Higher dividends
d) Greater return on investment

4. Strategy helps in:

a) Unravelling complexity
b) Reduce uncertainty
c) Relate the goals with the resources.
d) All of Above.

5. Which of the following statement is not true:

a) Strategic environment is complex
b) Strategic environment is turbulent.
c) High cost of strategy makes them useless for charitable organization.
d) Public sector units should implement business strategy

Correct/Incorrect

1. *Strategy is a substitute for Sound, Alert and Responsible management.*
2. *Strategic management is not needed in non-profit Organisations.*
3. *All strategies emerge from Corporate vision.*
4. *Strategic management is a bundle of tricks and magic*
5. *Developing annual objectives & short-term strategies that are*

compatible with the selected set of long-term objectives are one of the major task of strategic management.

6. *A company's strategy has always to be proactive in nature.*
7. *Strategic vision and mission statements are needed only by large business houses.*

Descriptive Questions

1. *What is Strategic Management? What benefits accrue by following a strategic approach to managing?*
   Or Write short note on Importance of Strategic Management.
   Or Briefly explain the importance of Strategic Management.
2. *List the different strategic levels in an organization.*
3. *You are appointed as a Strategic Manager by XYZ Co. Ltd. Being a Strategic Manager what should be your tasks to perform?*
4. Are there any limitations attached to strategic management in organizations? Discuss

Case Studies Type

1. Do Good Group' is a not-for-profit organization based in northern India working towards childcare. The group educates people towards immunization, sanitation and works in coordination with local hospitals or medical centers. Recently, a new team has taken over the management of its activities. Explain whether tools of strategic Management are relevant for the group

STRATEGIC INTENT: What they want to do?

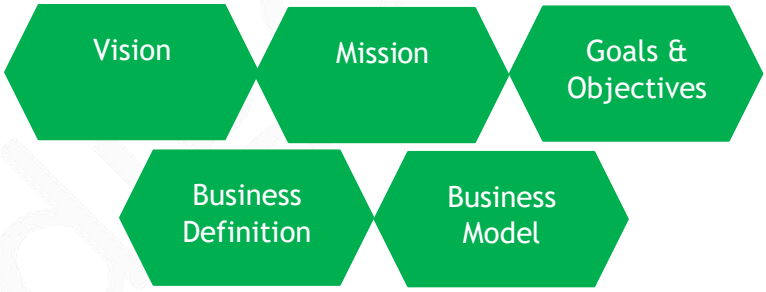
A. Strategic Intent can be referred to, in various ways:

A framework	• within which firm adopts a predetemined direction and operates
The purpose	• which an organisation endeavours to achieve
A statement	• that provides a perspective of the means which will lead the organisation to reach its vision in the long run

B. Why have a Strategic Intent?

- Helps answer why the company exists
- Provides a sense of destiny - Where to land
- Gives a sense of direction - All efforts are coherent and move in similar direction

C. Elements / Components of Strategic Intent:



1. Vision

- Blueprint of company's future position - where it wants to land
- Depicts company's aspirations
- Features / Elements of Vision Statement:
  - talks about future state of the company
  - is inspirational, creates enthusiasm
  - reflects core value in some way (expressly or indicative)
  - is bold and challenging
  - is creative, yet clear
  - is usually broad (though can be specific at times too)
- Thus, Strategic Vision is a roadmap of company's future - providing specifics about technology and customer focus, geographic and product markets to be

pursued, capabilities it plans to develop, and the kind of company the management

- Every sub system of the organization must follow the vision
- Not having a vision or lack of clear vision would lead to chaos
- Takes a lot of time for a company to develop one, not a day's job. Should be done in advance – it is one of the first steps in the Strategic Management Process.
- Could be short and crisp, or detailed.
- Could be very specific, and short term, like Tata Motors. Or slightly generic and long term, like Honda
- Either way, a vision statement should be clear and well-articulated
- Examples in Annexure

2. Mission

- Answers "what business are we in and what we do"
- Gives the organization its special identity, setting it apart from the rest
- Is an expression of the growth ambition of the firm
- Proclaims to insiders and outsiders about what the corporation stands for
- Acts as a foundation for the network of goals and objectives that the firm builds
- Vision and Mission Statements are co-related. Yet they are different:

  Vision answers WHERE A COMPANY WANTS TO BE – THE DESIRED FUTURE STATE

  Mission answers WHERE A COMPANY IS – THE CURRENT STATE
- An ideal mission statement answers the following questions:
  - What is the ultimate purpose of the business?
  - What business are we in?
  - Do we understand our business accurately, and define it accurately?
  - Whom do we intend to serve?
  - What human need do we intend to fulfil?
  - What is the nature of the business? What the business would look like in the future?
- Important because:
  - tells about the purpose behind company's existence and how it will achieve its vision
  - helps in allocation of resources
- Features of Mission Statement:
  - Precise
  - Clear
  - Feasible
  - Distinctive
  - Motivating
  -

- Thus, a Mission Statement is typically focused on company's present business scope - "who we are and what we do". It describes company's present capabilities, customer focus, activities and business makeup
- The term mission is often used along with purpose - mission and purpose
- Examples in Annexure

3. Goals and Objectives

- When the vision is broken into smaller measurable targets to be pursued in a relatively shorter time frame, they are known as goals and objectives
- While mostly synonymous, sometimes both terms - goals and objectives - are distinguished on some specific aspects by some authors
- Goals are open ended attributes that denote the future outcomes
- Objectives are close ended attributes that are precise, and expressed in specific terms
- *However, the terms are used interchangeably in this chapter*
- Goals / Objectives are organization's performance targets - the results and outcomes it wants to achieve. They function as yardsticks for measuring the organization's progress.
- Thus, there are two perspectives of looking at what 'goals' are:
  (1) **Goals are the targets that the organization wants to achieve, in line with its vision.**
  Eg: Vision of a company is to be the best quick service restaurant, providing customers quality food and great experience.
  Goals towards achieving this vision could be to reduce average waiting time over the next 1 one year by 25% (to become quick service restaurant), keep all outlets clean (to enhance customer experience) etc.
  (2) **Goals work as benchmark to analyze progress and whether the organization is on the right path to achieve its vision.**
  Eg: In above example, where the vision is to be the bet quick service restaurant, where average waiting time has increased rather than decreasing, it would serve as a check for the organization to alter its planning and take some other steps to move towards its vision.
- Organizational structure and activities are designed around goals and objectives
- The pursuit of objectives is a continuous, unending process
- Important because they:
  - provide direction
  - allow synergy
  - aid in evaluation
  - establish priorities
  - reduce uncertainty
  - minimize conflicts
  - stimulate exertion

- aid in allocation of resources and design of jobs

- Features:
  - ✓ S – specific, concrete, clear
  - ✓ M – measurable, quantitative
  - ✓ A – aggressive, challenging
  - ✓ R – realistic, achievable
  - ✓ T – time bound (relate to a time frame)
  - ✓ act as a base for strategic decision-making
  - ✓ different objectives should correlate with each other
- A company should have both short-term and long-term objectives.
- Long-term objectives
  - represent the results expected from pursuing certain strategies
  - usually range from 2-5 years
  - established usually in following 7 areas:
    (ii) profitability
    (iii) productivity
    (iv) competitive position
    (v) employee development
    (vi) employee relations
    (vii) technological leadership
    (viii) public responsibility
- Short-term objectives
  - can be derived from long-term objectives
  - can sometimes be identical to long-term objectives, especially if the company is already achieving the objective
  - most important situation when short-term differ from long-term objectives is when managers are trying to elevate organizational performance and the long-term objective cannot be achieved in one year. Thus, short-term objective act as steps towards achieving the long term objective

IndigoLearn

STRATEGIC DECISION MAKING:

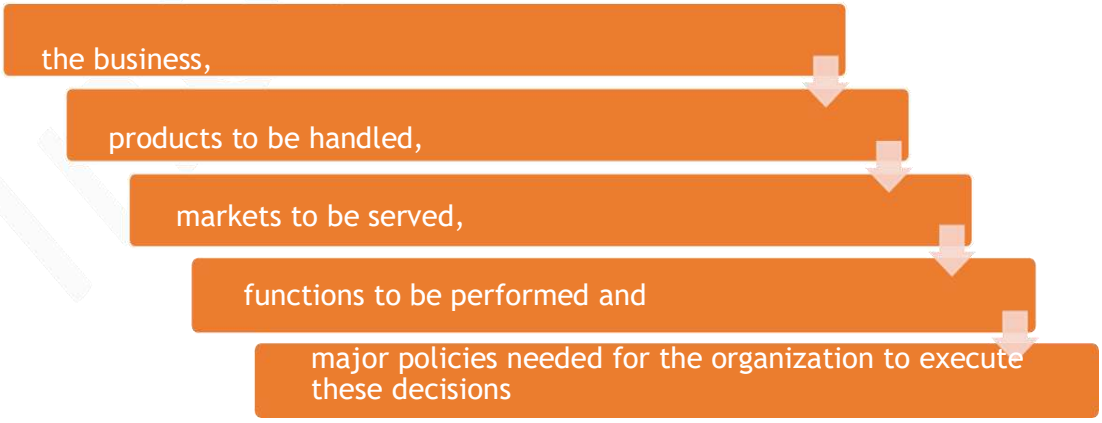
A. **Decision making** is managerial process of selecting the best course of action out of several alternative courses for accomplishing organizational goal.

B. Two **types** of decision making are:

1) **Strategic decision making**
   Impact the direction or objectives of the organization as a whole
   Done by top management

2) **Operational decision making**
   Relate to day-to-day operations
   Done by middle or lower level management

C. **Strategic decisions** encompass the definition of:



to achieve the strategic objectives.

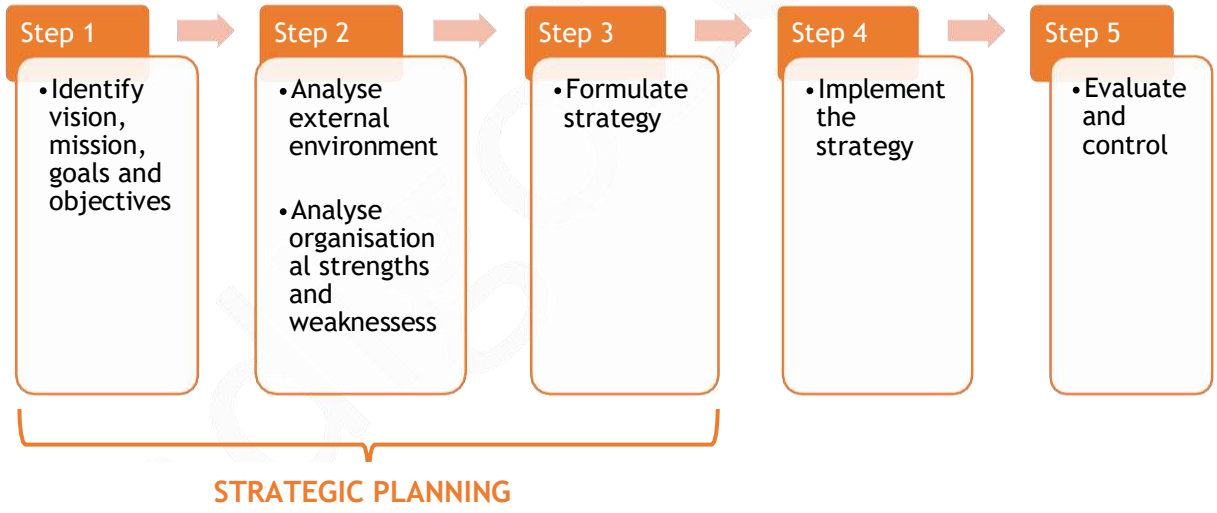
D. **Features / Characteristics / Dimensions of Strategic decisions:**

- ✓ Strategic decisions involve top management: They alter the course or direction of the company. Hence, involvement of top management is essential
- ✓ Strategic decisions require commitment of organizational resources: Scale of commitment is generally quite high
- ✓ Strategic decisions impact long term prosperity of the firm: Results are seen on long term basis, and not necessarily immediately
- ✓ Strategic decisions impact organization as a whole and not just one function or division
- ✓ Strategic decisions factor in external environment

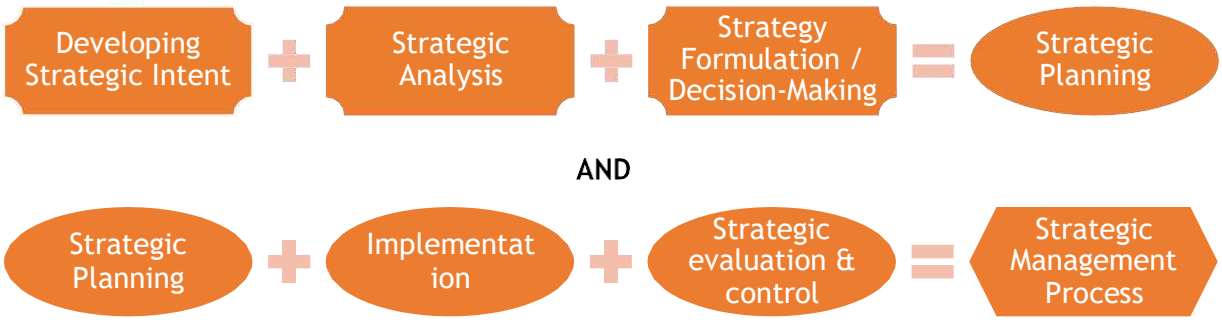
STRATEGIC MANAGEMENT MODEL:

Strategic management = A dynamic process of formulation, implementation, evaluation and control of strategies to realize strategic intent.

A **Strategic Management Model** lists down all the stages / steps of Strategic Management Process.



To reiterate,



I. STEP 1 – DEVELOPING STRATEGIC INTENT, i.e. VISION, MISSION, GOALS AND OBJECTIVES

1. What is Strategic intent – its meaning and various elements have already been discussed above. The importance of each of the element has also been elaborated.

2. As a first step in the Strategic Management Process, a company must identify its vision, mission, goals and objectives, as they provide a sense of direction and destination to the company.

3. Having a clearly defined strategic intent ensures that all the efforts made by the company and its people are in sync with the intent, thus leading to a coordinated action towards achieving the common goal. It prevents confusion or chaos at all stages.

4. It not only helps insiders, but also makes the purpose of company's existence clear to the external environment.

5. It serves as the basis for subsequent steps of analysis and strategy formulation, as these steps are undertaken keeping in mind the strategic intent of the company.

II. STEP II – UNDERTAKING ENVIRONMENTAL AND ORGANIZATIONAL ANALYSIS

1. Next stage is undertaking a diagnosis of various forces that affect a company's working.

2. This involves two types of analysis

   (i) Environmental scanning

   - External environment consists of political, economic, social, technological, legal, competitive, environment factors etc.
   - Such external environment is dynamic and uncertain, and the organization usually has no control over it.
   - Hence, it is important for every organization to analyze the same and logically pre-empt, to the extent possible, the opportunities/ threats that such environment offers / poses.

   (ii) Organizational analysis

   - This involves a review of internal environment - financial resources, technological resources, productive capacity, manpower, marketing and distribution effectiveness, research and development, human resource skills etc.

- Thereafter, a SWOT (strengths-weaknesses-opportunities-threats) analysis is undertaken to help management in decision-making and strategy formulation. *[Discussed in detail in Chapter 2]*

III. STEP III _ FORMULATING STRATEGY

1. A list of strategic alternatives is developed in light of the SWOT analysis made by the company.

2. Thereafter, a deep analysis of each of these alternatives is done, and the most appropriate alternative is chosen (discussed in detail in Strategy Decision Making above).

3. There could be various strategies like:
   (i) stability strategy
   (ii) growth or expansion strategy
   (iii) retrenchment strategy
   (iv) combination strategy
   [These strategies are discussed in detail in Chapter 4.]

4. Strategy chosen depends upon the vision of the company and results of SWOT analysis.

IV. STEP IV – IMPLEMENTING STRATEGY

1. This is the most demanding and time-consuming phase of the strategy management process

2. It is in this phase that strategic plans are converted into actions, which then yield results.

3. It involves constant endeavors by the organization and its people, in terms of:
   - developing budgets
   - staffing the organization with needed skills
   - keeping employees motivated
   - use best known practices to perform core business activities
   - create a conducive company culture and work environment
   - removing stumbling blocks, addressing issues that arise in the course of implementation of strategies formulated etc.

4. Effective implementation of strategy depends upon:
   - clear communication of strategy chosen to the employees who need to implement the same
   - allocation of sufficient resources, commensurate with the requirement, to various activities
   - allocation of adequately trained skilled manpower, and if not available, suitably hiring of such manpower

- ensure that policies and procedures align with the chosen strategy, and are not in conflict
- effectively managing changes, as when changes are made, there could be resistance

V. STEP V – EVALUATION AND CONTROL

1. It is the final stage in the process– evaluating the company's progress and making corrective adjustments, as required.

2. Evaluation:
   - It involves analyzing actual vs. targets, and determining gaps or deviations

3. Taking corrective actions:
   - Where the company's performance seems in line with strategy, only smaller updations or fine-tuning to strategic plans would be required.
   - However, where there have been significant disruptions, whether external or otherwise, the organization would need to re-visit its direction and strategy and determine cause-effect relationship with respect to various factors. Thereafter, suitable modifications would need to be made, to the strategy or goals or vision, as the case may be.

4. This exercise is an ongoing process and not cannot just be annually or semi-annually.

IndigoLearn

VISION AND MISSION STATEMENTS – EXAMPLES

	Vision Statement WHERE A COMPANY WANTS TO BE - THE DESIRED FUTURE STATE	**Mission Statement** WHERE A COMPANY IS - THE CURRENT STATE
TATA MOTORS	As a high performance organisation, we are, by FY2019 • Among the top three in global CV and domestic PV • Achieving sustainable financial performance • Delivering exciting innovations	We innovate mobility solutions with passion to enhance quality of life.
HONDA	Two areas where we are going to create new value: 1. Advancement of "Mobility" 2. Value Creation for People's Daily Lives In these areas, we will bring the universal passion of Honda to "serve people worldwide with the joy of expanding their life's potential." And toward this end, we will "lead the advancement of mobility and enable people everywhere in the world to improve their daily lives." This is our 2030 Vision Statement.	Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality, yet at a reasonable price for worldwide customer satisfaction.
GOOGLE	To provide access to the world's information in one click.	To organize the world's information and make it universally accessible and useful.
HINDUSTAN UNILEVER LIMITED	Our vision is to grow our business, while decoupling our environmental footprint from our growth and increasing our positive social impact.	Our mission is to add Vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

9.Strategic Analysis and Strategic Planning

9.1 Components of Business Environment

Internal Environment:-
Internal environment comprises of elements which influence businesses and are **present within the organisation** itself. *Example: - Organisation's management, Employees, Culture etc.*

External Environment:-
External environment comprises of elements which influence businesses and are **present outside the physical boundaries of an organisation**. These elements are mainly beyond the control of an organisation. *Example: - Customers, Competitors, Suppliers etc*.

Two major types of External Environment are:-

(i) ***Micro Environment***
(ii) ***Macro Environment***

Detailed study on Micro & Macro Environment

Micro Environment: - It **mainly consists of operating environment** of an organisation which directly affects it on a regular day to day basis. It consists of suppliers, consumers, market intermediaries etc.

Macro Environment: - It mainly **consists of elements prevailing in the economy as a whole**. Due to its vast and huge coverage it is usually beyond the control of an organisation. It mainly consists of economic, technological, political, legal & socio-cultural dimensions.

Elements of Micro Environment

a. **Customers:-**
   A customer is an individual or business that purchases the goods or services produced by a business. The **organisation cannot survive without customers**.

b. **Competitors:-**
   Any person, business entity, organisation or industry which competes with any other business and is a rival to them is called a competitor. **Competition** may be direct or indirect and it **shapes businesses**.

c. **Organisations:-**
   An organisation is a group of individuals working together to achieve one or more objectives.
   Following elements effects organisations activities: -

- ***Owners***: - a **person who owns business** and enjoy rights and benefits associated and derived from it is called owner of that business.

- ***Board of Directors***: The **chief governing body of an organisation** or company is termed as Board of Directors of that entity.

- ***Employees***: - They are the **persons who work in an organisation** collectively towards achieving organisations goal & objectives.

d. Markets:-

Analysis of **market trends & scenarios**, price sensitivity, technological and cost structure **should be studied deeply** by an organisation.

e. Suppliers:-

Suppliers **provide goods or services that are needed by an organisation** for its operation and functioning.

f. Intermediaries: -

Persons such as **broker, agents etc. are termed as intermediaries** and they significantly influence the business of an organisation.

Elements of Macro Environment

a. Demographic Environment:-

Demographic environment have great impact on the business of an organisation and **comprises of factors such as age profile, sex ratio, education** etc.

Few essential factors of demographic environment are discussed below:-

- ***Population Size***: - Factors of population size such as **changes in birth rate**, increase or decrease in population, **rapid population growth** and its effect on resources and life expectancy **plays a major role in determination of framing of strategies and implementing decisions**.

- ***Geographic Distribution***:-It means **shift of population from one region or area to another region**. Location of population have a significant impact on the business of an organisation. It helps a business in determination of availability of workforce and governmental regulations in a particular location.

- ***Ethnic Mix***: - It impacts company's potential customers and its workforce.

- ***Income Distribution***: - Individuals income and purchasing power also plays a vital role in determining market potential and its framework.

b. Economic Environment: -

Economic environment determines the strength & size of the market.

Following are the factors that affect the economic environment: -

- ***1. Economic Systems*: -**
  - **Capitalism: -** A capitalist economy is an economy where the laws of demand and supply operate freely**.**
  - **Socialism**: - Socialism is an economy where means of production and resources are owned ,controlled and regulated by the state directly
  - **Mixed Economy: -** A mixed economy **comprises of characteristics of both Capitalism & Socialism economy**. In this type of economy control vests in the hands of both private players as well as the government.

- **2. Economic Conditions or Factors: -**

It refers to set of economic factors that influence business and operations of an organisation. *Example: Gross Domestic Product, Per Capita Income, inflation, unemployment etc.*

- *3.* **Economic Policies: -**

All business activities and operations are directly influenced by the economic policies framed by the government from time to time. *Some important economic policies are: -*

- *Industrial Policy*
- *Fiscal Policy*
- *Monetary Policy*
- *Foreign Investment Policy*
- *Export-Import(EXIM) Policy*

c. Political-Legal Environment: -

Political & legal environments focus on the possibility for a company to easily enter or not in a country. **It relates to political & legal barriers which a business face in a given country**.

Three important elements in political-legal environment are: -

- ***Government*: -** Government policies effects and control business in a very big way. *Example:- Tax & duties imposed by government*
- ***Legal*: -** Laws and regulations also influence business operations in a significant way. *Example: - New GST law will influence most of the businesses.*

- ***Political:-*** Political system & political pressures also influence organisations business

d. <u>Socio-Cultural Environment</u>:-

Socio-Cultural Environment **consists of factors related to human relationship** and the impact of **social attitudes** and **cultural values** which effects the operations of the organisation. *Some important factors which influence socio-cultural environment are Social Concerns, Social attitudes & values, Role of women & Children in society, educational levels etc.*

e. <u>Technological Environment</u>: -

It **consists of methods and technology used in the production of goods or services**. Technological changes & advancement have a huge impact on the business of an organisation.

Technological change, technological innovation, Research & Development etc. are some of the major factors of technological Environment.

f. <u>Global Environment</u>: -

Almost everything has been globalised now a days. Any change in global markets, international environment, global cultural environment etc. poses a huge impact on organisations business. More and more companies are interested in globalising themselves now a days.

10.2 PESTLE Analysis

It is a **very simple & quick tool** and is mainly **used for the study** and analysis **of macro environmental factors**. It helps management of an organisation **in strategic decision-making** function.

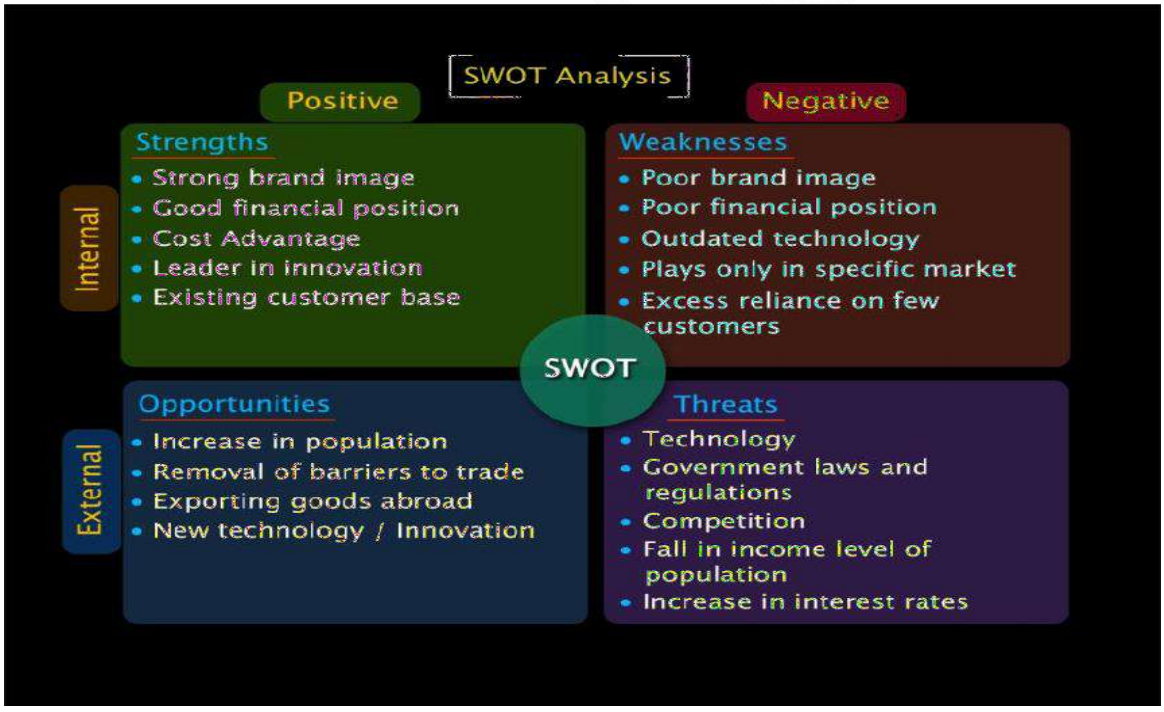
PESTLE *is an acronym for: -*

P*- Political*
E*- Economic*
S*- Socio-Cultural*
T*- Technological*
L*- Legal*
E*- Environmental*

9.3 SWOT Analysis

The identification & analysis of Strength, Weakness, Opportunities and Threats is normally referred to as SWOT analysis.

Strengths	Weakness
▪ Inherent Capability ▪ Gain Strategic Advantage	▪ Inherent limitation/Constraint ▪ Creates strategic disadvantage
Opportunities	**Threats**
▪ Favourable environment condition ▪ Strengthen Position	▪ Unfavourable environment condition ▪ Causes Risk/Damage to position



Corporate-Level Strategy

- What businesses should we be in to maximise the long-run profitability
- How to do the above to gain competitive advantage

Business-Level Strategy

- Encompasses business's overall competitive theme
- Different positioning strategies that can be used in different industry settings to gain competitive advantage

Functional-Level Strategy

- Directed at improving the effectiveness of operations withing the company
- production, finance, marketing, materials management, product development, customer service, etc

Global-Level Strategy

- How to expand operations outside the home country to grow & prosper and to compete in a global level

Significance of SWOT Analysis:

1. It provides a logical framework of analysis-
   Variation in managerial perception about the organizational strengths, weaknesses & environmental opportunities & threats lead to the approaches to specific strategies & finally the choice of strategy that takes place through an interactive process.

2. It presents a comparative account-
   Presents a structures form where it is possible to compare external & internal environments so that a strategist can come out with suitable strategy by developing certain patterns of relationship.

3. It guides the strategist in strategy identification-
   It is possible that the organisation may have several opportunities & some serious threats and also may have powerful strengths coupled with major weaknesses. In such situations, SWOT analysis guides the strategist to think of overall position that helps to identify the major purpose of the strategies under focus.

Potential Resource Strengths & Competitive Capabilities **A**	Potential Resource Weaknesses & Competitive Deficiencies **B**
Potential Company Opportunities **C**	Potential External Threats **D**

A. Potential resource strengths & competitive capabilities

- Powerful strategy
- Strong financial position
- Brand image
- Cost advantages
- Product innovation skills
- E-commerce technologies & processes
- Strong advertising & promotion
- Superior supply chain management
- Reputation for good customer service

B. Potential resource weaknesses & competitive deficiencies

- No clear strategic decision
- Obsolete facilities/technology
- Weak balance sheet/too much debt
- Higher overall unit costs as compared to competitors
- Internal operating problems
- Underutilized plant capacity
- Unable to attract new customers
- Narrow product line in comparison to rivals

IndigoLearn

C. Potential company opportunities

- Expanding into new markets/segments
- Exploiting emerging new technologies
- Acquisition of rival firms
- Ability to grow due to rising demand
- Openings to take away market share from rivals
- Using e-commerce to cut costs or pursue new growth opportunities
- Forward/backward integration
- Falling trade barriers in attractive foreign markets

D. Potential external threats to company's well-being

- Entry of potent new competitors
- Loss of sales to substitute products
- Slowdowns in market growth
- Costly new regulatory requirements
- Shift in buyers tastes
- Adverse demographic changes
- Vulnerability to industry driving forces

9.4 Internal & External Analysis (Portfolio Analysis)

Portfolio analysis is a tool by which management identifies & evaluates the various businesses that make up the company.
In portfolio analysis, management views its business units as a series of investments from which it expects returns.

The best business portfolio is one that best fits the company's strengths & weaknesses to opportunities in the environment.

Portfolio analysis is a set of techniques that help strategists in taking strategic decisions with regard to individual products/businesses in a firm's portfolio in multi-product & multi-business firms.

The main advantage is that resources can be channelized at the corporate level to those businesses that possess greater potential.

In order to design the business portfolio, the management must analyse its current

business portfolio & decide which business should receive more, less or no investment.

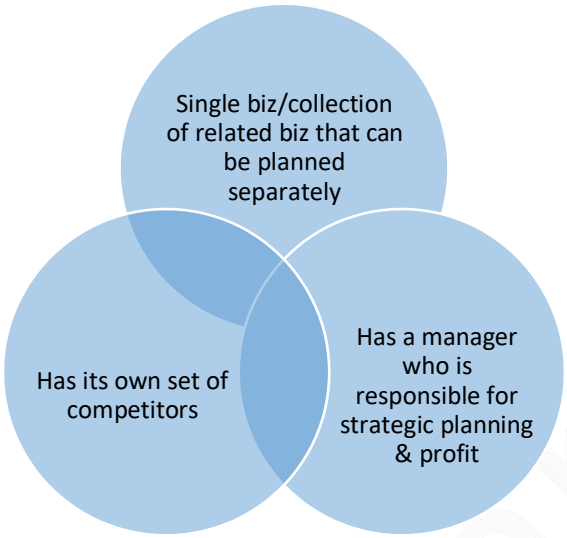
Depending upon analyses, management may develop growth strategies for adding new products or businesses to the firm's portfolio.

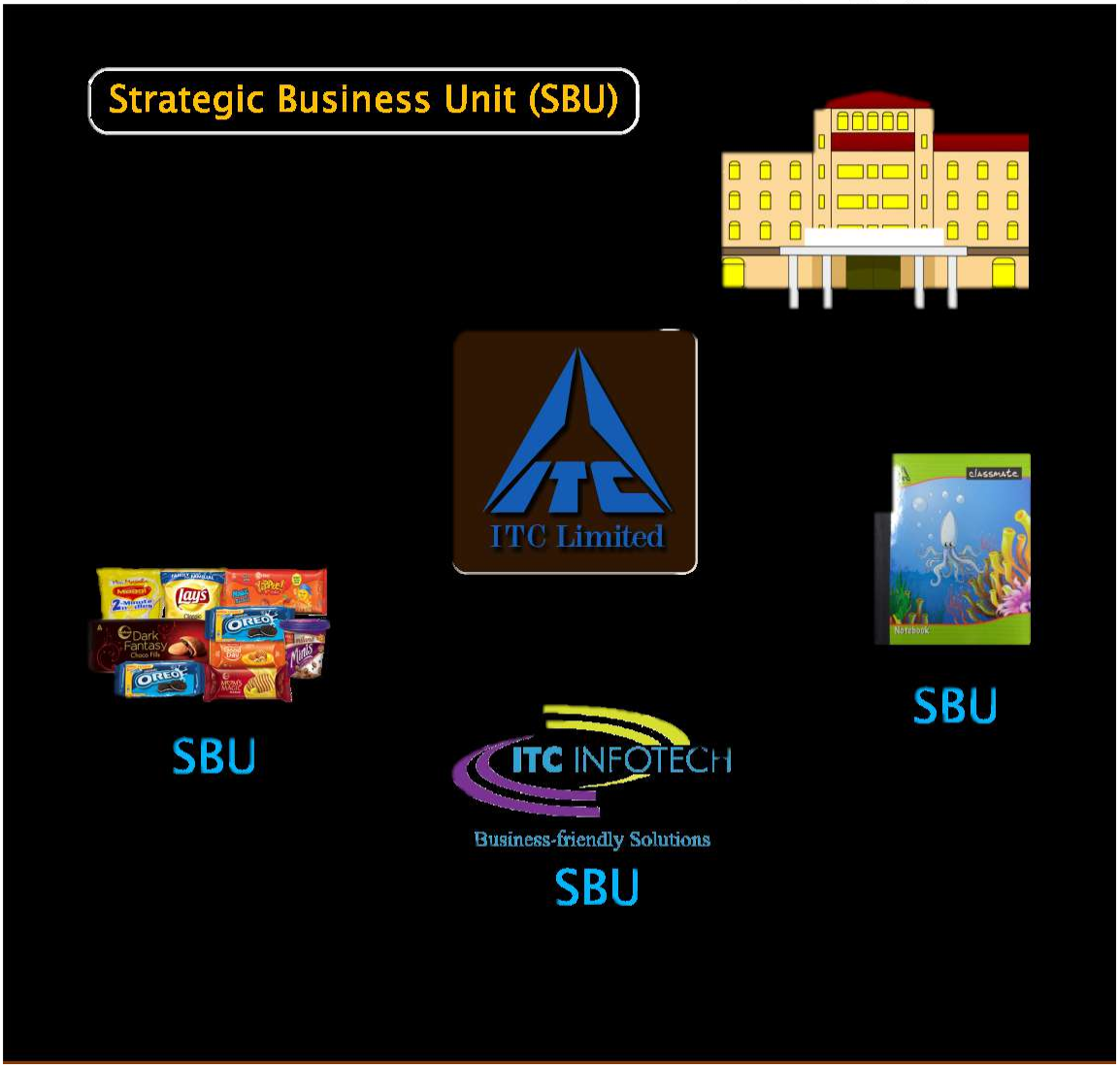
There are three important concepts, the knowledge of which is a prerequisite to understand different models of portfolio analysis-

1) Strategic Business Unit
2) Experience Curve
3) Product Life Cycle

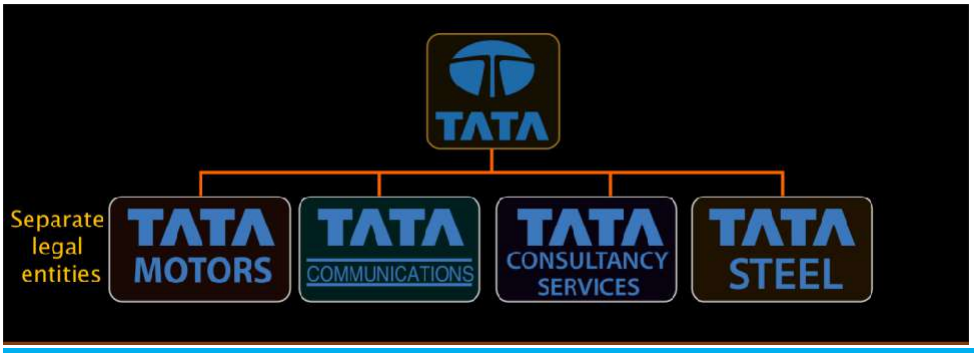
Strategic Business Unit

- ✓ A unit of the company
- ✓ Has separate mission, vision & objectives
- ✓ Can be run independently from other company businesses
- ✓ Can be a
  - company division
  - product line within a division
  - single product
  - brand
- ✓ Common in organisations that are located in multiple countries with independent manufacturing & marketing setups
- ✓ After identifying SBU's, management will assess their respective attractiveness & decide how much support each deserves
- ✓ An SBU has the following characteristics-


Single biz/collection of related biz that can be planned separately
Has its own set of competitors
Has a manager who is responsible for strategic planning & profit


Strategic Business Unit (SBU)
ITC Limited
SBU
SBU
ITC INFOTECH
Business-friendly Solutions
SBU

The following is not an example of SBU

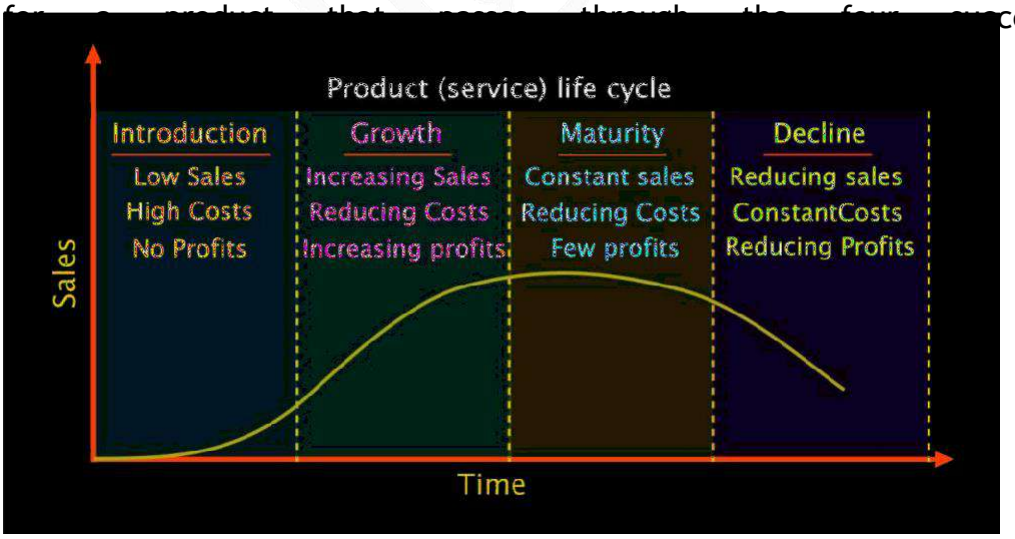


Experience Curve

- ✓ Concept is similar to learning curve
- ✓ Efficiency increases by workers through repetitive productive work
- ✓ Unit costs decline as a firm accumulates experience in terms of cumulative volume of production
- ✓ Larger firms in industry gain competitive cost advantage due to this
- ✓ It is a result of variety of factors- learning effects, economies of scale, product redesign & technological improvements in production
- ✓ It is a barrier for a new firm entering the industry
- ✓ Used to build market share & discourage competition

9.5 BCG Matrices

PLC is an S-shaped curve which exhibits the relationship of sales with respect to time for a product that passes through the four successive stages.



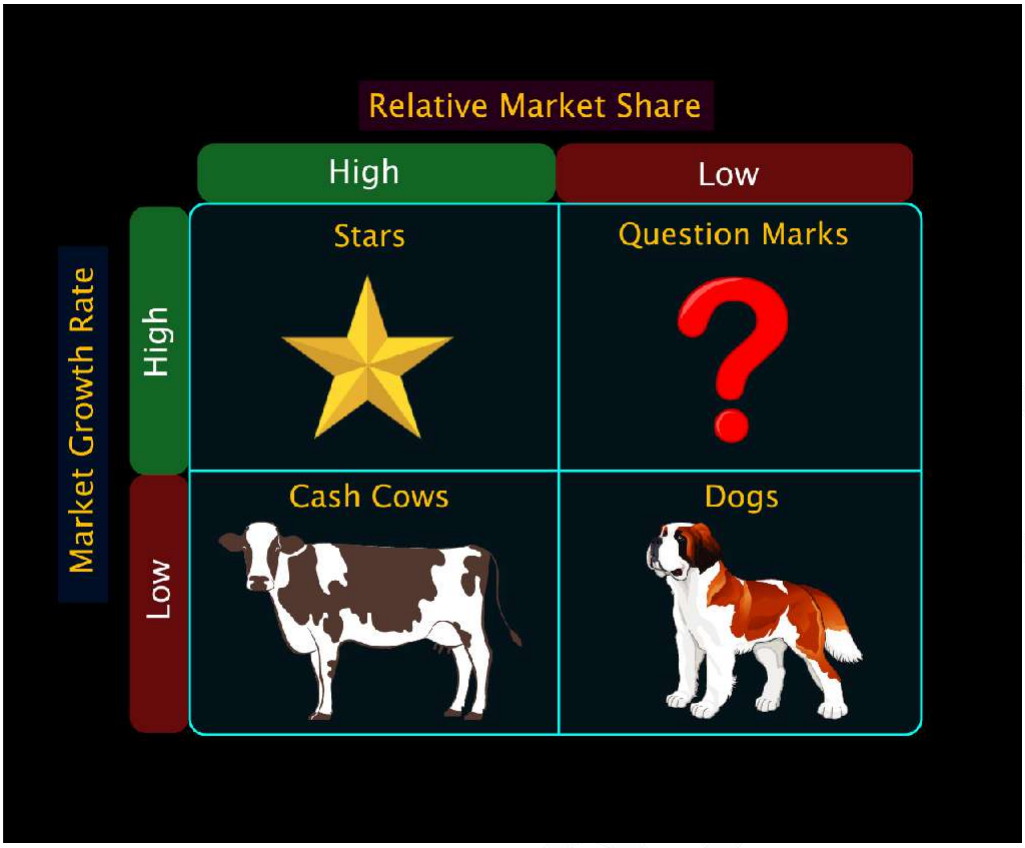
Introduction (slow sales growth)	• Competition is almost negligible • Prices are relatively high • Markets are limited • Lower rate of sales growth due to lack of knowledge by customers
Growth (rapid market acceptance)	• Demand expands rapidly • Fall in prices • Competition increase • Market expands • Customer has knowledge & is interested in buying
Maturity (slowdown in growth rate)	• Market gets established • Competition gets tough • Profit reduces due to stiff competition • Organisations have to work for maintaining stability
Decline (sharp downward drift)	• Sales & profits fall down sharply • Some new product replace existing product • Combo of strategies can be used to stay in the market • Either diversification or retrenchment

Boston Consulting Group (BCG) Growth-Share Matrix

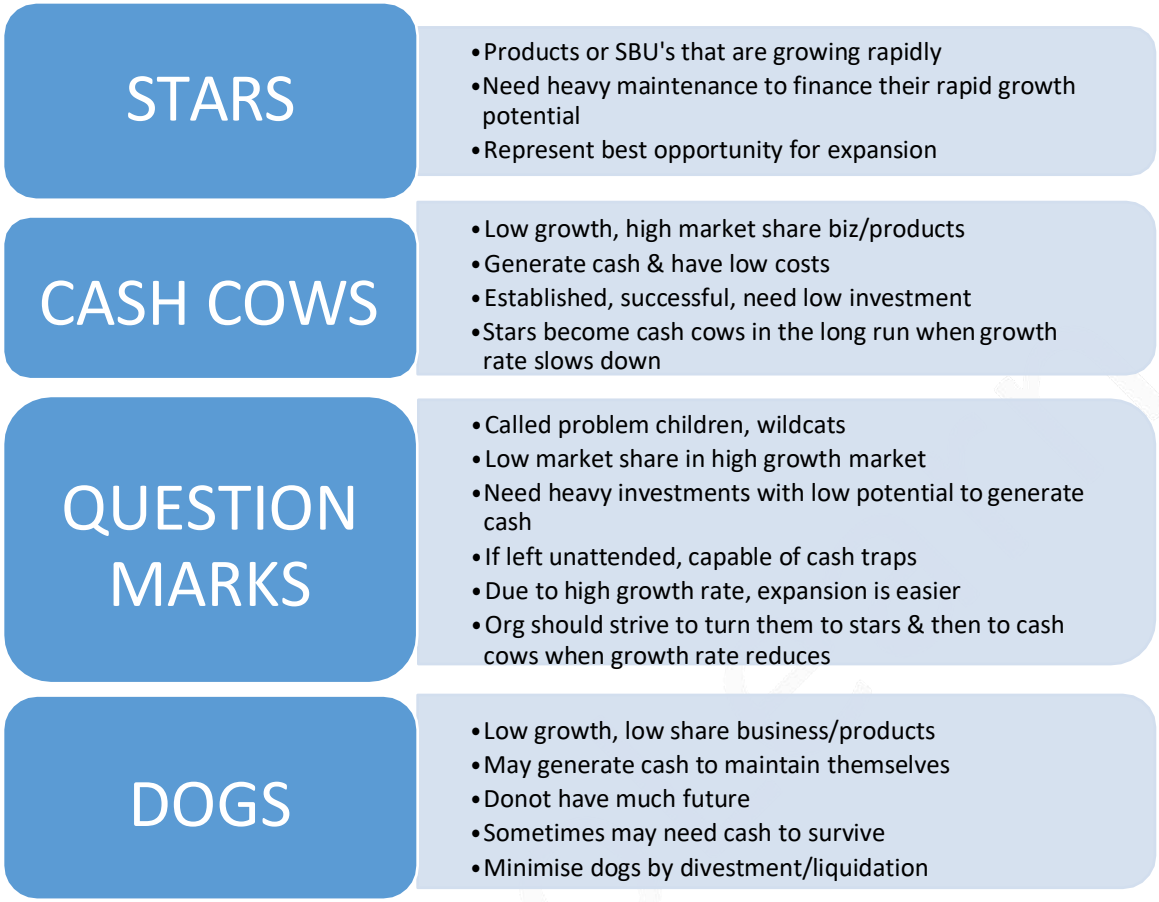
The BCG growth share matrix is used for resource/investment allocation in a diversified company.

Using the BCG approach, a company classifies its different businesses on a two-dimensional growth-share matrix. In the matrix:

- Vertical axis represents market growth rate & a measure of market attractiveness
- Horizontal axis represents relative market share & a measure of company strength

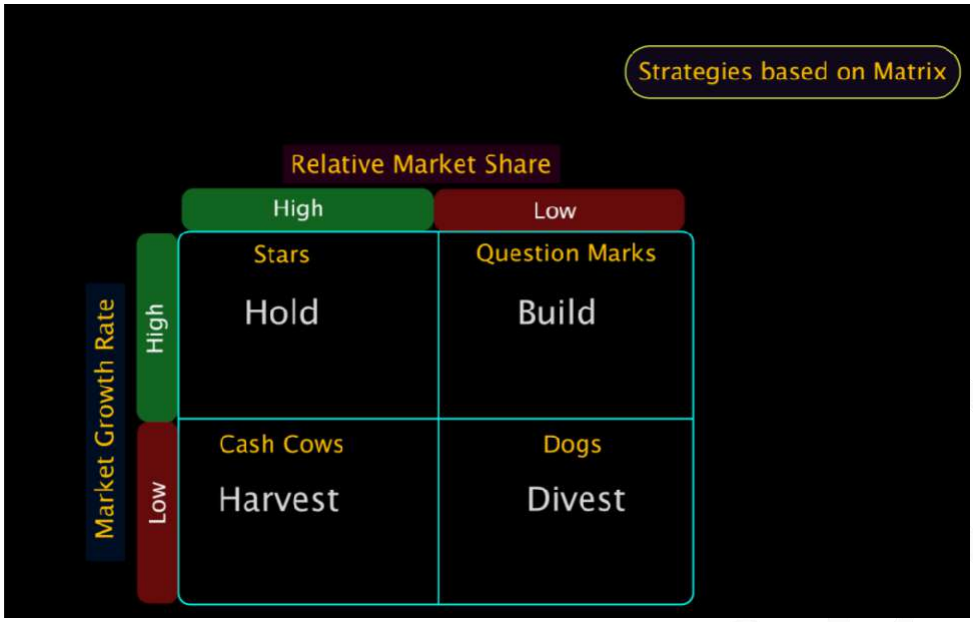


IndigoLearn



After a firm has classified its products/SBU's as above, it must determine what role each will play in the future. The four strategies that can be adopted are:

- **Hold - preserve market share**
- **Build - increase market share even by forgoing short term income to build large market share**
- **Harvest – Increase cash flows**
- **Divest - sell/liquidate since resources can be better used elsewhere**



Limitations of the BCG growth share matrix:

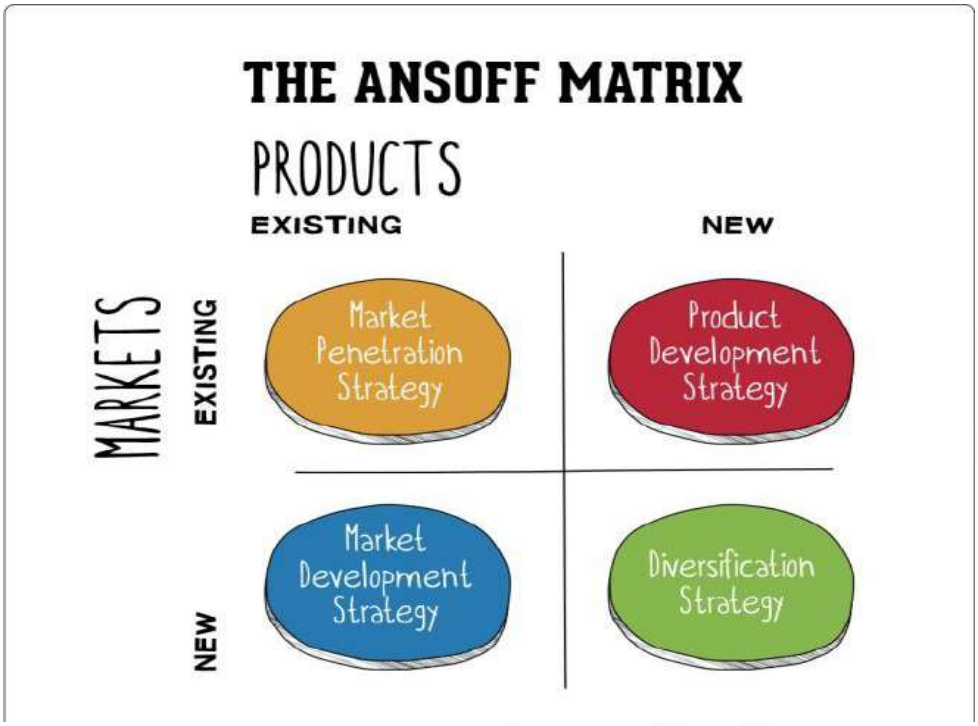
- Difficult, time consuming, costly to implement
- Difficult to define SBU's & measure market share and growth
- Focuses on classifying current businesses while providing little advice for future planning
- Places too much emphasis on increasing market share, growth & expansion into new markets which leads to risky ventures or divesting established units too quickly

Ansoff's Product Market Growth Matrix

Companies should always be looking to the future & one useful tool for identifying growth opportunities for the future is the product/market expansion grid.

Ansoff's product market growth matrix is a useful tool that helps businesses decide their product & market growth strategy.

It is a portfolio-planning tool for identifying growth opportunities for the company.



Market Penetration

- Selling existing products into existing markets
- More sales to present customers without majorly changing product
- Greater spending on advertising & personal selling
- Aggressive promotional campaign
- Pricing strategy that makes market unattractive for competitors
- Increase usage by existing customers

Market Development

- Selling existing products into new markets
- Identifying & developing new markets for current products
- Maybe achieved through
    - New geographical markets
    - New product dimensions/packaging
    - New distribution channels
    - Different pricing policies

Product Development

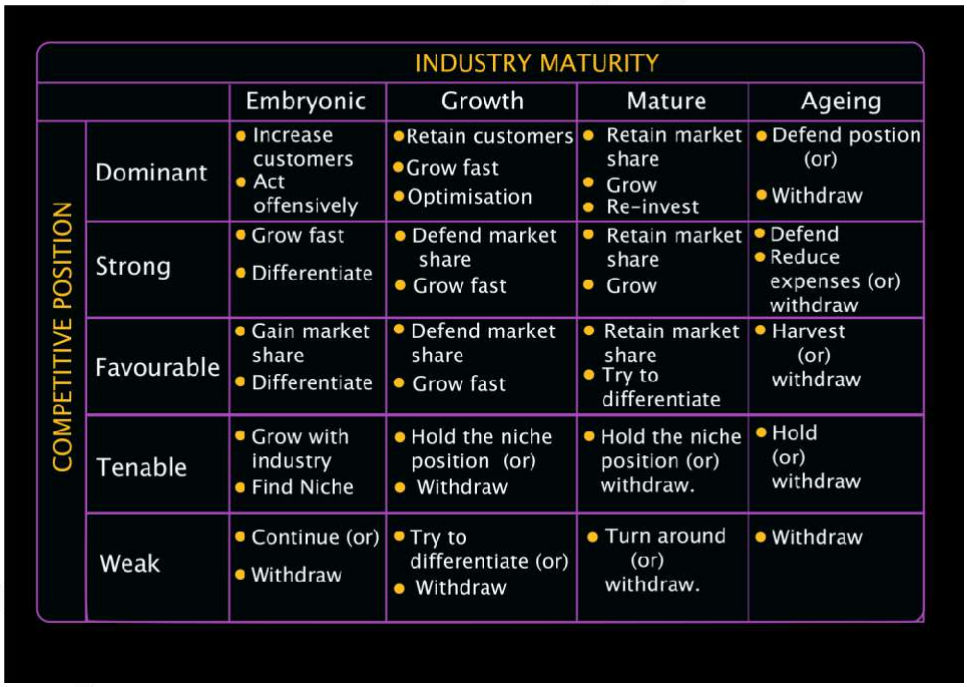
- Introduce new products into existing markets
- May require the development of new competencies
- Develop modified products which is appealing to existing customers

Diversification

- The business markets new products in new markets
- Starting up/acquiring businesses outside the company's current products & markets
- Risky strategy since it does not rely on the current successful position of the company in the market
- Moving into markets where company has little/no experience

ADL Matrix

The ADL matrix approach forms a two dimensional matrix based on stage of industry maturity (environmental assessment) & the firms competitive position (business strength assessment).



COMPETITIVE POSITION	INDUSTRY MATURITY: Embryonic	Growth	Mature	Ageing
Dominant	• Increase customers • Act offensively	• Retain customers • Grow fast • Optimisation	• Retain market share • Grow • Re-invest	• Defend postion (or) • Withdraw
Strong	• Grow fast • Differentiate	• Defend market share • Grow fast	• Retain market share • Grow	• Defend • Reduce expenses (or) withdraw
Favourable	• Gain market share • Differentiate	• Defend market share • Grow fast	• Retain market share • Try to differentiate	• Harvest (or) withdraw
Tenable	• Grow with industry • Find Niche	• Hold the niche position (or) • Withdraw	• Hold the niche position (or) withdraw.	• Hold (or) withdraw
Weak	• Continue (or) • Withdraw	• Try to differentiate (or) • Withdraw	• Turn around (or) withdraw.	• Withdraw

Dominant

- Rare position
- Monopoly
- Strong & protected technological leadership

Strong

- Considerable degree of freedom
- Act without its market position being threatened by rivals

Favourable

- Fragmented industry
- No one competitor stands out clearly
- Reasonable degree of freedom

Tenable

- Satisfactory performance
- Staying in the industry is justifiable
- Vulnerable in the case of intense competition from strong rivals

Weak

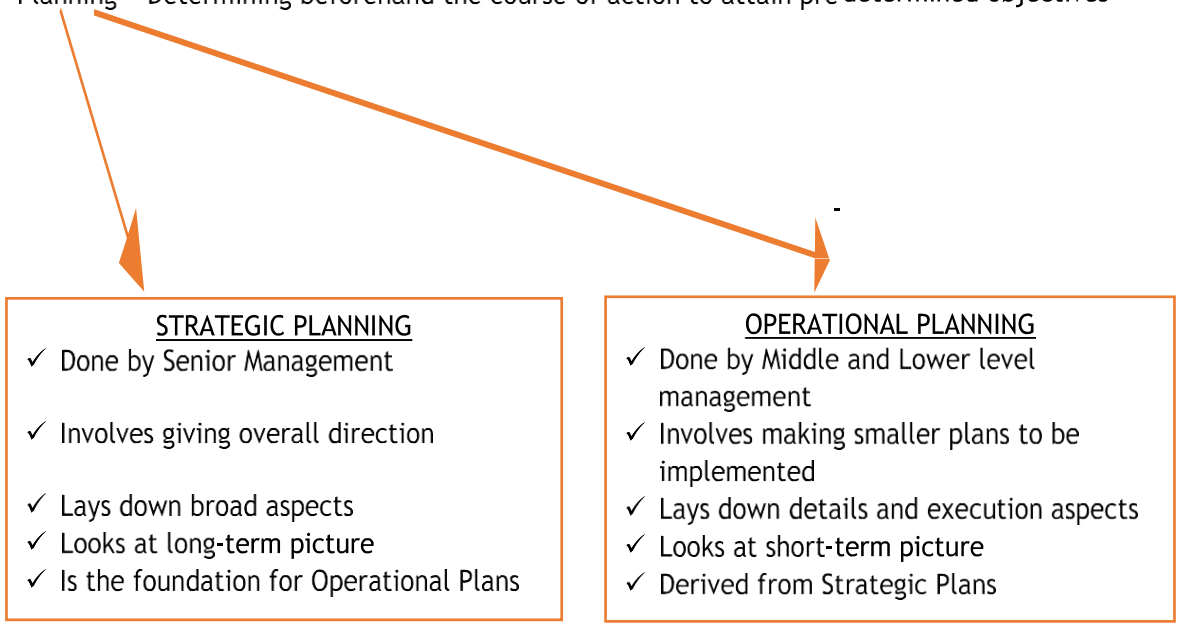
    - Unsatisfactory performance
- Opportunities for improvement exist

9.6 Stages in Strategic Planning

CONCEPT OF PLANNING:

A. What is Planning?

Planning = Determining beforehand the course of action to attain pre determined objectives



B. Planning Vs. Management

Planning is defining objectives, and determining resources required.
All this is done in advance, for the future. Thus, planning is future-oriented.

Management is planning, plus ensuring plans are executed.

Thus, management is a larger function and includes

planning, organizing, directing, coordinating and control.

C. Need for Planning

- ✓ Good planning ensures success
- ✓ Equips business to deal with uncertainties
- ✓ Business survives longer

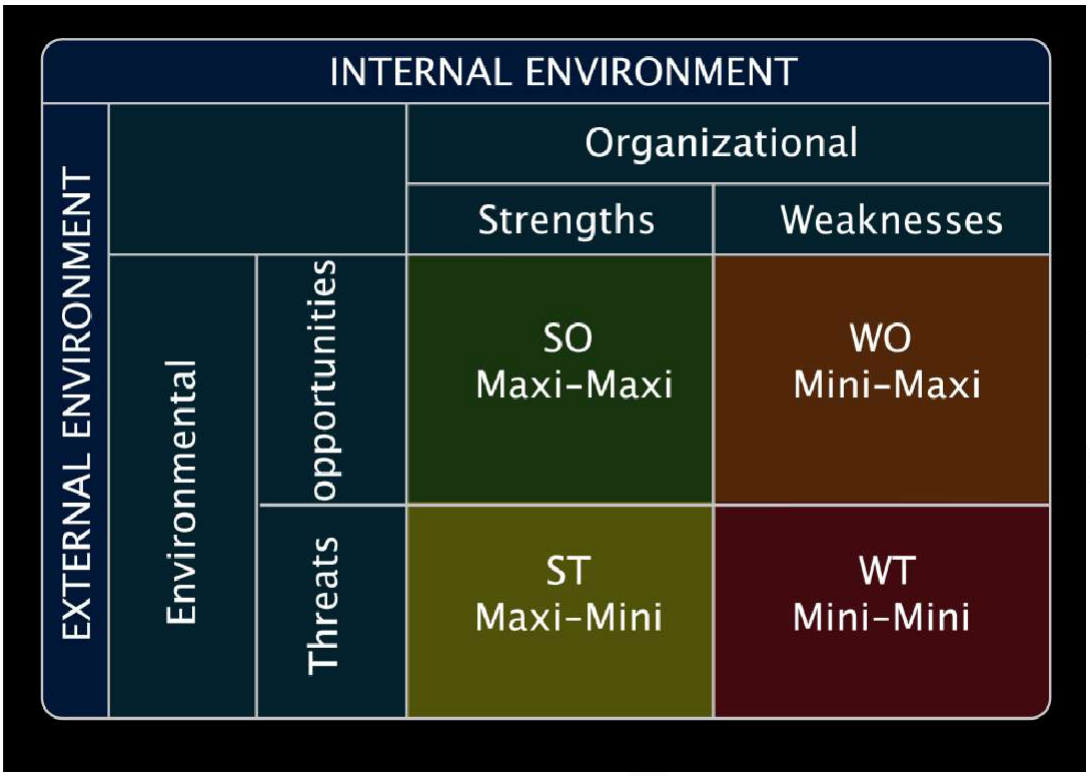
D. Strategic Planning

	i.e. Senior Management lays down	Also known as	Description
Define objectives	*What they want to do (broadly)* *and* *Why they want to do it*	**Strategic Intent**	The framework / philosophical base that governs all business actions
Determine resources (manpower, machinery, money and management) required to achieve the objectives	*What will help and what will hinder the achievement of the objectives*	**Strategic Analysis**	Analyzing what are the strengths, weaknesses, opportunities and threats for the organization – internally and externally.
Formulate policies to govern the acquisition, utilisation and disposition of resources	*What they want to do (specifically)* *and* *How they want to do it*	**Strategy Formulation** ***Includes*** **Strategic Decision-making**	Determining a particular course of action amongst various alternatives / choices

Subsequently, breaking down the aforesaid larger plan into achievable smaller plans at ground level, for actual implementation of policies involving procurement and utilisation of resources, is done as part of Operational Planning.

- Helps in ascertaining strategic alternatives

9.7 Porter's Five Forces Model



Porter's Five Forces Model

Porters Five-Force Model of competition is a powerful & widely used tool for systematically diagnosing the significant competitive pressures in a market & assessing the strength & importance of each.

The interrelationship among these five forces gives each industry its own particular competitive environment and helps the manager to assess their own firm's strength, weakness and future opportunities:

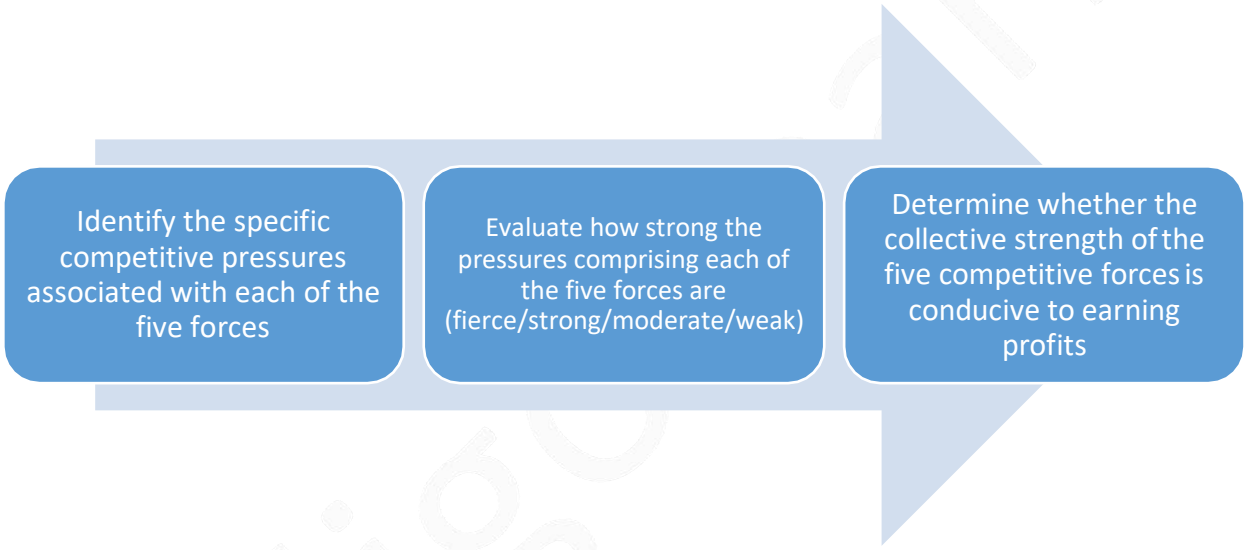
1. Competitive pressures associated with the market maneuvering and jockeying for buyer patronage that goes on among rival sellers in the industry.

2. Competitive pressures stemming from supplier bargaining power & supplier-seller collaboration

3. Competitive pressures stemming from buyer bargaining power & seller-buyer collaboration

4. Competitive pressures associated with threat of new entrants into the market.
5. Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.

Steps to determine what competition is like in an industry-



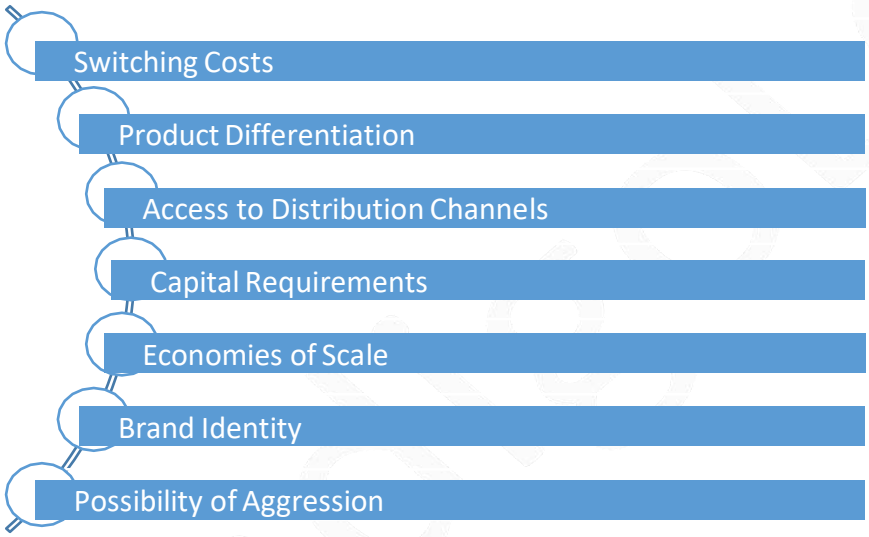
Threat of new entrants

Barriers to entry represent economic forces/hurdles that slow down or impede entry by other firms.

Common barriers to entry:

Acronym- "SPACE BP"





Switching costs

- New entrant must be able to persuade existing customer of other firms to switch to its product
- Buyers often incur substantial costs in switching between firms & are often reluctant to change

Product Differentiation

- Cost of creating genuine differentiated product may be too high for new entrants
- Refers to physical or perpetual differences or enhancements that make the product special/unique

Access to distribution channels

- Existing firms have significant influence over the distribution channels & can control/restrict their use by new firms
- Unavailability of distribution channels poses significant entry barrier

Capital Requirements

- When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry
- This enhances the profitability of the existing firms in the industry

Economies of Scale

- Economies of scale refer to the decline in the per unit cost of production as activity grows
- A large firm that enjoys economies of scale can produce high volumes at lower costs which is not available to a new entrant

Brand Identity

- It is particularly important for infrequently purchased products that carry a high unit cost to the buyer
- Significant difficulties are faced in building up the brand identity, since to do so they must commit resources over a long period of time

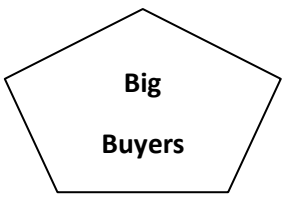
Possibility of Aggressive Retaliation

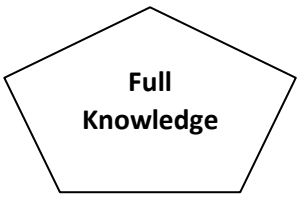
- Mere threat of aggressive retaliation by existing firms can act as a barrier to entry
- Introduction of a product by a new firm may agitate the incumbent firms to indulge in extreme activities such as drastically reducing prices and increasing advertisement budgets



Bargaining power of Buyers

Buyers can sometimes exert considerable pressure on the firms to lower their prices or improve their services. It is evident when-







Bargaining power of Suppliers

Suppliers can command bargaining power over a firm when-

- More concentrated than their buyers
- High switching costs
- Products crucial to buyer & no substitutes are available

Rivalry in the industry

The more intense the rivalry in an industry, the less attractive the industry is. The intensity of rivalry can influence attractiveness, profitability, cost of suppliers, distribution.

Rivalry among competitors tends to be cutthroat & industry profitability lowers when-

Acronym-"LC FC EPS"



Industry Leader

- A strong industry leader can discourage price wars
- Due to its greater financial resources, a leader can outlast smaller rivals in a price war
- Due to this, smaller rivals usually avoid initiating such a war

Number of competitors

- As competitors in an industry increase in number, even when a leader exists, his ability to exert pricing discipline diminishes as communication between the leader and the players becomes difficult

Fixed costs

- When rivals operate at high fixed cost, they have the need to utilise their full/excess capacity & therefore end up cutting prices
- Price cutting causes profitability to fall for all firms in the industry

Exit Barriers

- Rivalry ↓ if some competitors leave an industry
- Profitability ↑ in industries with few exit barriers

- When barriers to exit are powerful competitors desiring exit may refrain from leaving

Product Differentiation

- Competitors have little opportunity to differentiate their offerings
- Profitability is ↑ in industries that offer opportunity for differentiation
- Profitability is ↓ in industries involving undifferentiated commodities

Slow Growth

- Industries whose growth is slowing down face more intense rivalry
- As growth slows, rivals must fight harder grow or even maintain their existing market share
- This intense rivalry tends to overall ↓ profitability



Threat of Substitutes

A final force that can influence industry profitability is the availability of substitutes for an industry's product. Firms must search for products that perform the same/nearly the same function as theirs. Substitutes can be either from the same industry (digital filmless cameras replaced film cameras) or other industry (smart phones replaced cameras to a great extent).

Globalisation

A Global Company (MNC/TNC) views the world as one market, minimises the importance national boundaries, source capital & market wherever it can do the job best.

A global company has three characteristics-

- ➢ It is a conglomerate of multiple units but all linked by common ownership.
- ➢ Multiple units draw on a common pool of resources.
- ➢ The units respond to some common strategy. Its managers & shareholders are based in different nations.

There are several reasons why companies go global: -

- ✓ The need to grow
- ✓ Faster communication, speedier transportation & rapid technological changes
- ✓ Domestic markets are no longer adequate & rich
- ✓ Need for reliable/cheaper source of raw materials, labour, etc

- ✓ Companies often set up overseas plants to reduce high transportation costs
- ✓ Exporting organisations may setup overseas manufacturing units to boost sales & cash flow
- ✓ The rise of services to constitute the largest single sector in the world economy
- ✓ Collapse of international trade barriers
- ✓ Increased privatization of manufacturing & services sectors and less government interference in business decisions
- ✓ Companies in different countries form a strategic alliance to ward off economic & technological threats

Multinational vs Transnational companies

MULTINATIONAL	TRANSNATIONAL
Own a home company and its subsidiaries	No subsidiaries but just many companies
Centralized management system	No centralized management system
Barriers in decision making due to centralized management system	Gain more interest in the local market since they maintain their own system

9.8 Structural Drivers of Change

All industries are characterised by trends & new developments that gradually produce changes important enough to require a strategic response from participating firms.

Even though an industry's life cycle stage (intro, growth, maturity, decline) strongly influences overall industry growth rate, there are more causes of industry change than an industry's position in the life cycle.

Driving Forces:

- ✓ Industry & competitive conditions change because forces are in motion that creates incentives or pressures for changes

- ✓ The most dominant forces are called driving forces
- ✓ They have the biggest influence on what kind of changes will take place in the industry's structure & competitive environment
- ✓ Two steps to analyse driving forces-
  1) identify what the driving forces are
  2) assess their impact on industry

Most common driving forces:

Acronym- "MEDICaL GP"

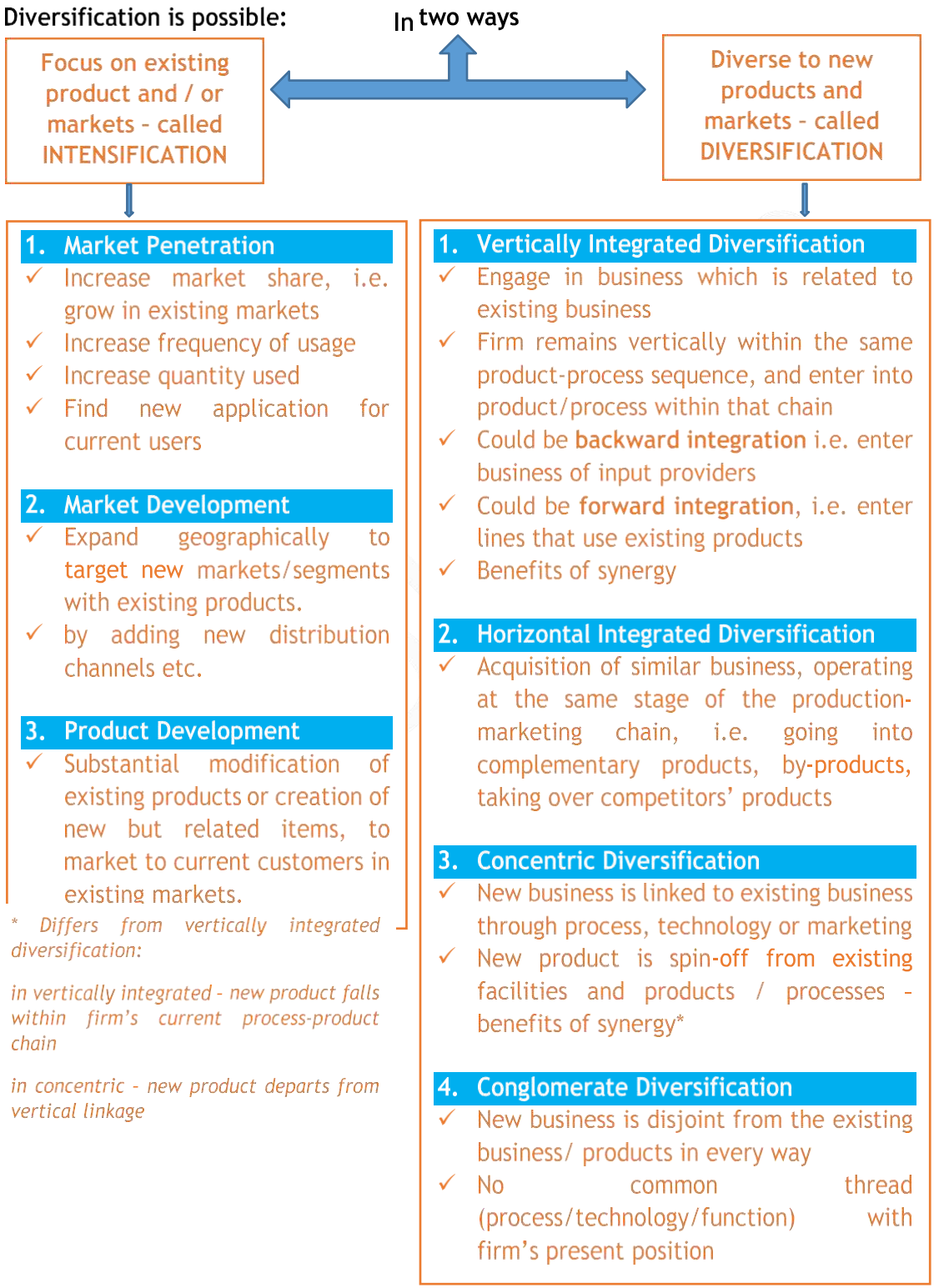
- **M**arketing innovation
- **E**ntry or exit of major firms
- **D**iffusion of technical know-how
- **I**nternet & e-commerce opportunities & threats
- **C**hanges in cost & efficiency
- **L**ong-term industry growth rate changes
- Increasing **G**lobalisation
- **P**roduct innovation

9.9 Diversification

A. Reasons for diversification:

- offers good prospects of growth and profitability
- utilizing existing facilities and capabilities, including idle capacities, more efficiently and effectively
- synergistic advantage - improve sales of existing products by adding suitably related or new products

B.


Diversification is possible:
In two ways
Focus on existing product and / or markets - called INTENSIFICATION
Diverse to new products and markets - called DIVERSIFICATION
1. Market Penetration
✓ Increase market share, i.e. grow in existing markets
✓ Increase frequency of usage
✓ Increase quantity used
✓ Find new application for current users
2. Market Development
✓ Expand geographically to target new markets/segments with existing products.
✓ by adding new distribution channels etc.
3. Product Development
✓ Substantial modification of existing products or creation of new but related items, to market to current customers in existing markets.
* Differs from vertically integrated diversification:
in vertically integrated - new product falls within firm's current process-product chain
in concentric - new product departs from vertical linkage
1. Vertically Integrated Diversification
✓ Engage in business which is related to existing business
✓ Firm remains vertically within the same product-process sequence, and enter into product/process within that chain
✓ Could be backward integration i.e. enter business of input providers
✓ Could be forward integration, i.e. enter lines that use existing products
✓ Benefits of synergy
2. Horizontal Integrated Diversification
✓ Acquisition of similar business, operating at the same stage of the production-marketing chain, i.e. going into complementary products, by-products, taking over competitors' products
3. Concentric Diversification
✓ New business is linked to existing business through process, technology or marketing
✓ New product is spin-off from existing facilities and products / processes - benefits of synergy*
4. Conglomerate Diversification
✓ New business is disjoint from the existing business/ products in every way
✓ No common thread (process/technology/function) with firm's present position

C. **Diversification could be:**

Related diversification

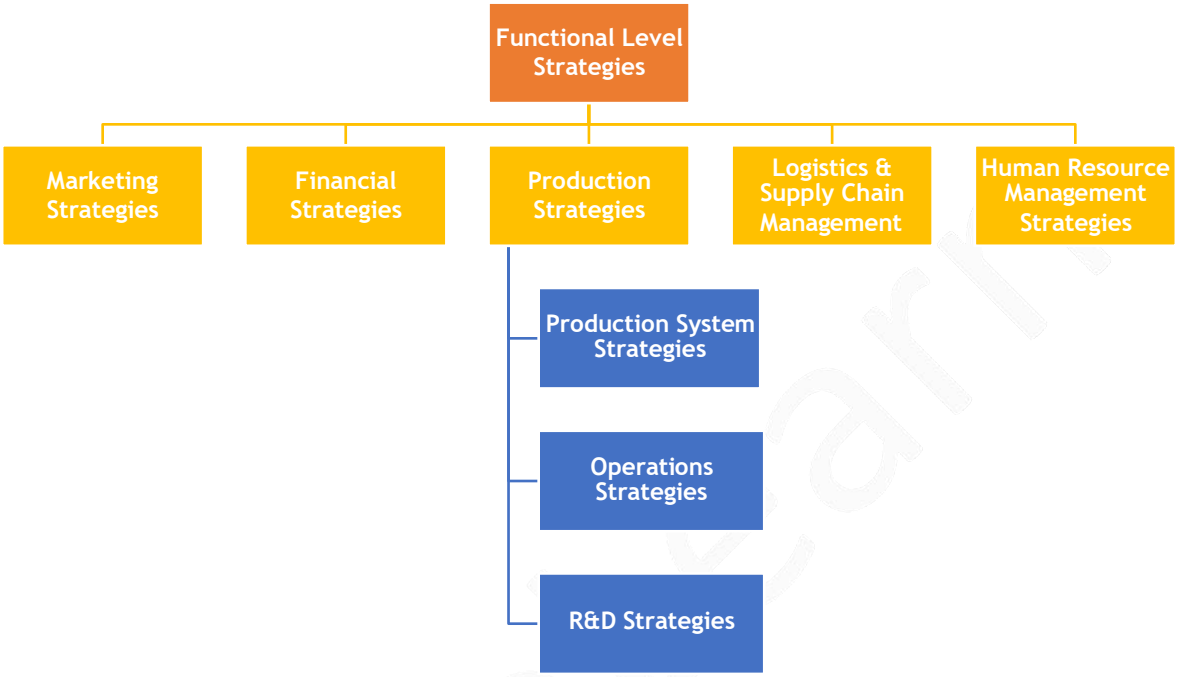
- Exchange or share assets or competencies by exploiting
  - brand name
  - marketing skills
  - sales and distribution capacity
  - manufacturing skills
  - R&D / new product capabilities
  - economies of scale
- Example : Concentric diversification

Unrelated diversification

- Investment in new product portfolios
- Employment of new technologies
- Focus on multiple products
- Reduce risk by operating in multiple product markets
- Defend against takeover bids
- Provide executive interest
- Example: Conglomerate diversification

10. Formulation and Implementation of Strategy

10.1 Strategy formulation function – wise



What are functional strategies?

- Once higher-level strategies are developed by the top management, there is a requirement to formulate strategies for each functional area in the enterprise.
- For effective implementation of the high-level strategies, strategists provide direction to the functional managers regarding the plans, policies to be adopted to achieve the desired enterprise objectives.
- Specific care needs to be taken to ensure that all functional strategies are interrelated and thereby, ensure effectiveness of the high-level corporate strategies.

Level in the organization structure:

Functional strategies are formulated within the framework of corporate level strategies and guidelines set at the higher levels of the organization.

- Functional strategies work below the Specific Business Unit (SBU) or business-level strategies.

Need for functional strategies

- **Consistency:** Similar situations occurring in different functional areas are handles in a consistent manner by the functional managers.
- **Coordination:** They bring in harmony and coordination as they help achieve major strategies.
- **Control:** They act as a basis or controlling activities in the different functional areas of the enterprise.
- **Implementation**: Functional strategies are aimed at facilitating effective implementation of corporate strategies and formulation of business level strategies.
- **Time:** The time spent by functional managers in decision making is reduced as plans lay down clearly what is to be done, while policies state how plans are to be implemented.
- **Direction:** Functional strategies lay down clearly what is to be done at functional level. Hence, provide a clear sense of direction to functional staff.

Factors influencing functional strategies

- Environmental factors relevant to each functional area
- Corporate level strategies
- Resource allocation decisions by the top management
- Other factors such as Need for harmonizing other areas of business etc.

MARKETING STRATEGIES

Introduction to Marketing

Mar

Factors improving importance of marketing:

- Rapid economic growth
- Technological upgradation
- Globalization
- Ever increasing human needs and wants
- Increasing purchasing power of people

Marketing Decisions:

A business organization faces countless marketing variables that affect the success or failure of strategy implementation. Some examples of marketing decisions are:

Parameter	Example
Customer orientation	• Whether to limit or enhance share of business done with a single or a few customers?
Product	• Whether to offer a complete or limited warranty?
Distribution Networks	• The kind of distribution network to be used. Whether to use exclusive dealerships or multiple channels of distribution. • Whether to reward sales people based on straight salary, straight commission or on a combination of salary and commission?
Pricing	• Whether to be a price leader or price follower?
Promotion	• What should be the amount spent on advertising and the extent of advertising. • What should be the amount of advertising in print media, television or digital marketing?

Marketing Process

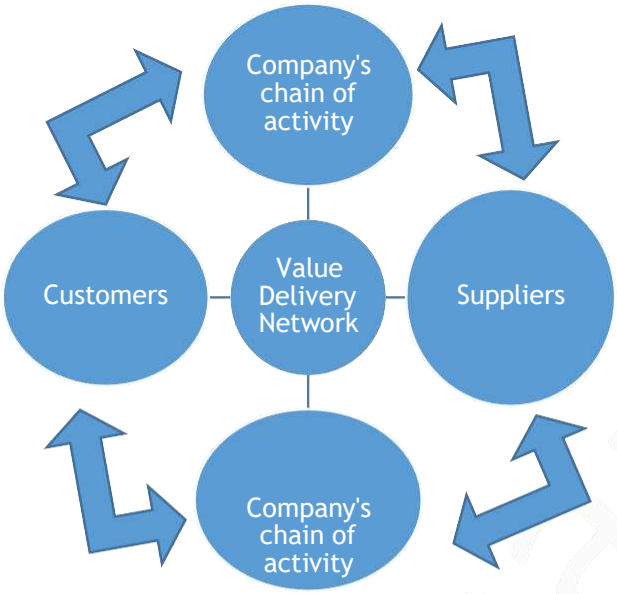
This is the process of analyzing market opportunities, selecting target markets, developing marketing mix, and managing the marketing effort. Target customers stand at the centre of marketing process.

Objectives of Marketing:

Delivering Value to Customers:

Marketing along cannot produce superior value for consumer, it needs to work in coordination with other departments such as production, logistics, finance etc. to accomplish this.

In search of competitive advantage, the enterprise needs to look beyond its own chain of activities and into the chain of its suppliers, distributors, and ultimately customers. This partnering will produce a ***Value Delivery Network***.



Connecting with Customers:

Enterprises must be customer centric in order to win customers from competitors and keep them by delivering greater value at all times. As it is difficult for an enterprise to satisfy all customers in a given market, they must concentrate on the specific target customer groups. For this purpose, enterprises do the following:

1. **Market Segmentation:** Divide the total market into segments

   Such segmentation is often based on age or geography or customer-needs etc. For example, cool drink products are targeted at youth (ages 15-24), or winter clothes sales are targeted in Northern Part of India in comparison to Southern India etc.

2. **Marketing Target:** Choose the best market segment

   Based on the product features and the capabilities of the enterprise to deliver value, the best market segment is identified and opted for.

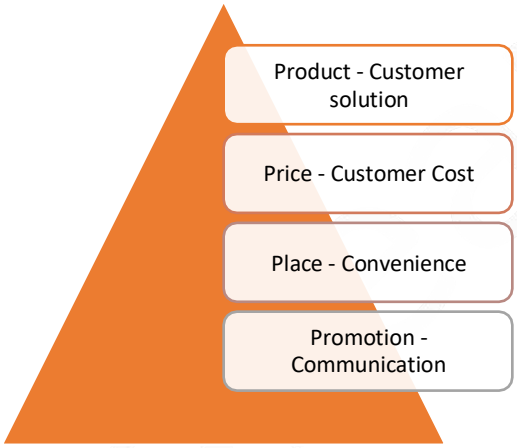
3. **Market Positioning:** Design strategies to profitably serve the chosen customer segments better than the competitors.

Marketing Mix

The marketing mix is the set of controllable marketing variables that the firm blends in order to influence demand for its product.

These variables are often referred to as the 4 Ps from the marketer's perspective - Product, Price, Place, and Promotion. The perspective can be switched to the customer's angle, which is called as 4 Cs.

Refer Illustration below for the marketing mix variables from the perspective of both - the Marketer and the Customer.



Product:

Product stands for goods and services offered by the enterprise. Strategy needed for managing ***existing*** products over time ***adding*** new ones and ***dropping failed products***.

Strategic decisions must also be made regarding branding, packaging and other product features such as warranties and replacements.

Price:

Price of a product is its composite expression of its value and utility to the customers, its demand, quality, reliability, safety, the competition it faces, the desired profit etc. It stands for the amount of money one has to pay to obtain the product.

Pricing models:

Pricing Model	Description:
Cost Plus Pricing	Under this model, a margin is added to the cost of a product to determine the selling price. However, in a competitive environment this model is often not feasible as enterprises must follow the market prices and reduce costs to earn the desired profits.

Skimming Pricing Model	The product is directed to those buyers who are relatively price insensitive but sensitive to the quality or features of the new product, and accordingly, the price of the product is fixed at a very high level. Eg. Call rates of mobile were set very high initially. Since initial take off of the product is low, high price helps in rationing supply in favour of those who can afford it. Reasons for adopting such a model are: 1. Inelastic Demand: Demand is likely to be inelastic in the early stages of product introduction in the market 2. Sales: High price helps serve the high-end customers or the cream of the market that is relatively insensitive to price 3. Assured Profit: Demand is not known for the product in early stages. A high price assures profit on each unit of product sold.
Penetrating Pricing Model	In case the objective of the marketer is to produce and sell the product in large volumes, the price of the product is kept at a very low level. Profit is earned through increase in volume in sales as an increase in number of units produced reduced the production cost per unit. Eg. The pricing kept by Reliance Jio Reasons for adopting such a model are: 1. Elastic Demand: Demand is likely to increase when the price is low. Hence, this may lead to large volume of sales 2. Mass Production: When their enterprise can leverage on economies of scale (i.e. reduce cost per unit on account of mass production), and an increase in demand is sought for by keeping the per unit prices low. 3. Reduce Competition: Existing competition may not match up to the low per unit cost. Further, this creates an entry barrier for new firms wanting to enter the market.

Objectives in mind while deciding pricing strategy of a product:

a. Making a product acceptable to the customer
b. Producing a reasonable margin over cost
c. Catering to market that helps in developing market share.

PLACE:

Place stands for company activities that make the product available to target consumers. This helps is deciding the marketing channel.

Marketing channel deals with:

a. ***Logistics:*** Systems by which goods are moved from the place of production to the place of final consumption; and
b. ***Distribution network:*** Manner in which ownership is transferred from the producer to the end customer. This applies to intermediaries such as wholesalers, retailers etc.

PROMOTION:

This stands for activities that communicate the merits of the product and persuade target consumers to buy it.

Direct Promotional Methods:

Method	Description	Pros	Cons
Personal Selling	• Oldest forms of promotion	• Involves face to face interaction and oral communication with potential buyers • Highly effective method to persuade potential buyer to purchase	• High cost involved as sales personnel are expensive • Inability to reach large number of people
Advertising	• May be directed at consumers, middlemen or opinion leaders. • Choice of media is very important for effectiveness of the message	• Media may be local, regional, national, international	• Non-personal method • Effectiveness in respect of expenditure

Method	Description	Pros	Cons
	• Examples: Pamphlets, Brochures, TV adverts, radio, hoardings, billboards, magazines, newspapers, internet etc.	• Highly flexible and dynamic method	cannot be directly measured.
Publicity	• It is the communication of a brand, product, or business by placing information about it in the media without paying the media to the time or space directly • Basic tools are press release, press conference, reports, stories, and internet releases.	• No payments to media as in the case of advertising • It helps reach customers with negligible cost	• Non-personal method
Sales Promotion	• Includes all activities that are undertaken to promote the business but are not specifically included under any of the previous 3 modes. • Examples: Discounts, cash back offers, installment payment facilities, money refunds etc.	• If periodically undertaken, may help in getting a larger market share	

Expanded Marketing Mix:

They are a few more elements that may form part of an organization's marketing mix strategy. They have gained a lot more importance in the recent past with the rapid growth of services industry (tertiary sector of the economy). These are:

Element	Description	Application
People	All humans who play a part in delivery of the market offering and thus influence the buyer's perception,	Organizations identify ways to improve working relationships with their customers and train their people for the same.

	namely the firm's personnel and the customer	Helps increase sync between the employees and the customers and ultimately deliver greater value to the customers with the human touch and understanding.
Physical Evidence	The environment in which the marketing offering is delivered and where the Firm and customer interact	The environment in which services delivered also impact the customers. Example: Movie theatres are now equipped with multiple facilities and good ambience to enhance the user experience.
Process	The actual procedures, mechanisms and flow of activities by which the product service is delivered.	Organizations simplify processes to eliminate non-value added activities and thereby also reduce cost. Focus on core activities and processes is enhanced.

Formulation of Marketing Strategy

Marketing Analysis involves SWOT analysis (Strengths, Weaknesses, Opportunities and Threats) of the enterprise.

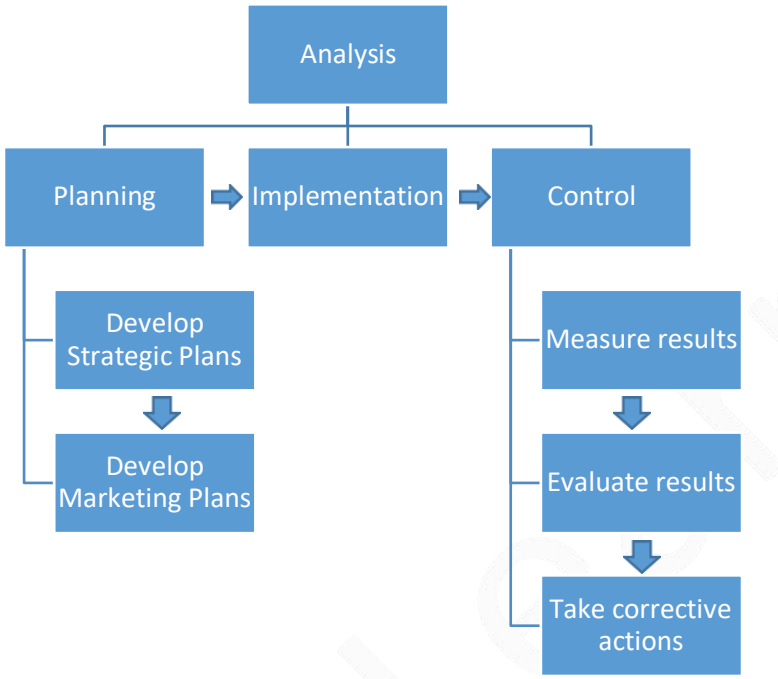
Areas to be analysed in the environment include:

Macro forces: These are broader forces in the environment such as demographic and economic forces, political and legal forces, technological and ecological forces and social and cultural forces.

Micro forces: These are forces closer to the enterprise such as ability to serve customers, other company departments, channel members, suppliers, competitors etc.

IndigoLearn

Strategic Marketing Management Process:



Strategic Marketing Planning involves deciding on marketing strategies that will help attain overall strategic objectives. A detailed plan is required for each business, product or brand.

Strategic Control: Involves monitoring and measuring of results and their evaluation. This would lead to taking corrective actions in the 4 Ps of marketing.

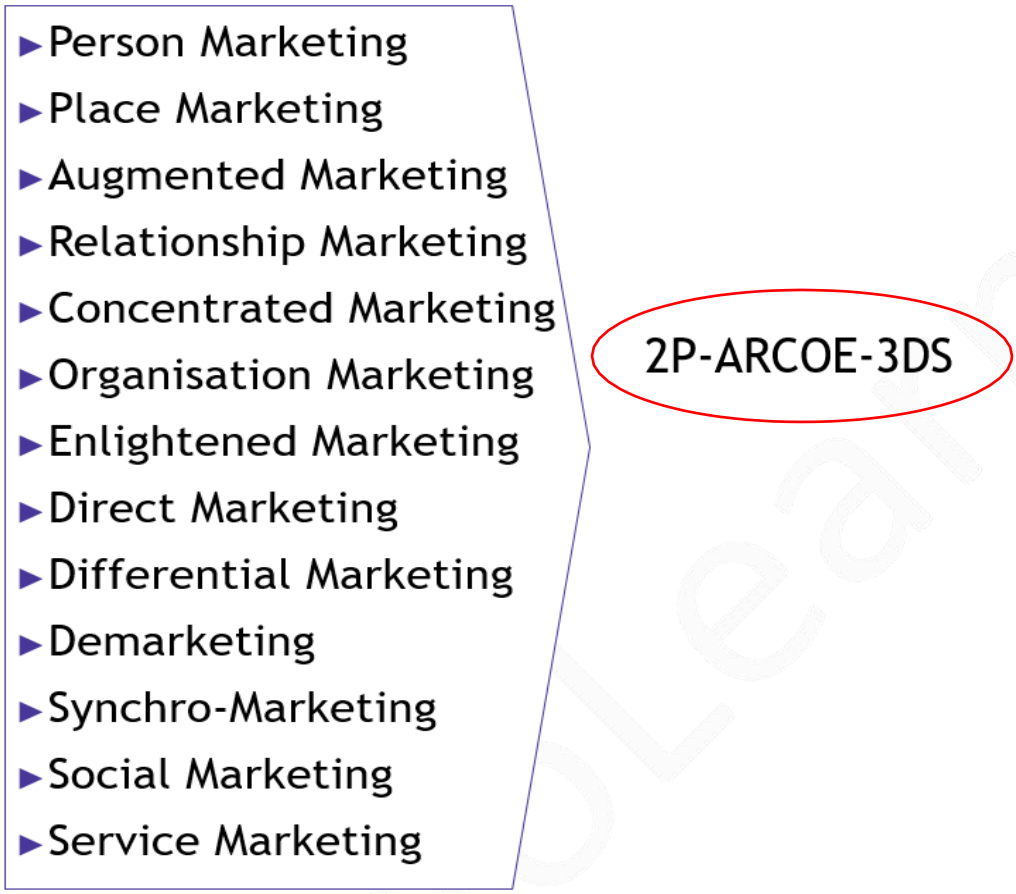
IndigoLearn

Components of a product or brand plan:



IndigoLearn

Strategic Marketing Techniques:



Person Marketing: Person marketing consists of activities undertaken to create, maintain or change attitudes and behavior towards a particular person. For example, politicians, film stars, sport icons etc. market themselves to get votes or promote their careers.

Place Marketing: Place Marketing involves activities undertaken to create, maintain, or change attitudes and behavior towards particular places say, business sites marketing, tourism marketing etc.

Augmented Marketing: It refers to provision of additional customer services and benefits built around the actual products, and introduction of hi-tech services. Eg. movies on demand, online computer repair services, secretarial services etc. Such innovative offerings provide a set of benefits that promise to increase customer service to much higher levels.

Relationship Marketing: It is the process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders. This results in provision of special benefits to select customers, in order to strengthen bonds and build lasting customer relationships.

Concentrated Marketing: It is a market coverage strategy in which a firm goes after a large share of one or few sub-markets

Organization Marketing: It consists of activities undertaken to create, maintain, or change attitudes and behavior of target audiences towards an organization. Both profit and non-profit organizations practice organization marketing.

Enlightened Marketing: It is a marketing philosophy holding that a Company's marketing should support the best long-run performance of the marketing system; its five principles include customer-oriented marketing, innovative marketing, value marketing, sense of mission marketing and societal marketing.

Direct Marketing: Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response. Direct marketing includes catalogue selling, email, telecomputing, electronic marketing, shopping, and TV shopping.

Differential Marketing: It's a market coverage strategy in which a firm decides to target several market segments and designs separate offer for each. For example, Hindustan Unilever Limited has Lifebuoy, Lux and Rexona in popular segment and Dove and Pears in Premium segment.

Demarketing: It includes marketing strategies to reduce demand temporarily, or permanently. The aim is to not destroy the demand, but only reduce or shift it. This occurs when there is overfull demand. Example, buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand.

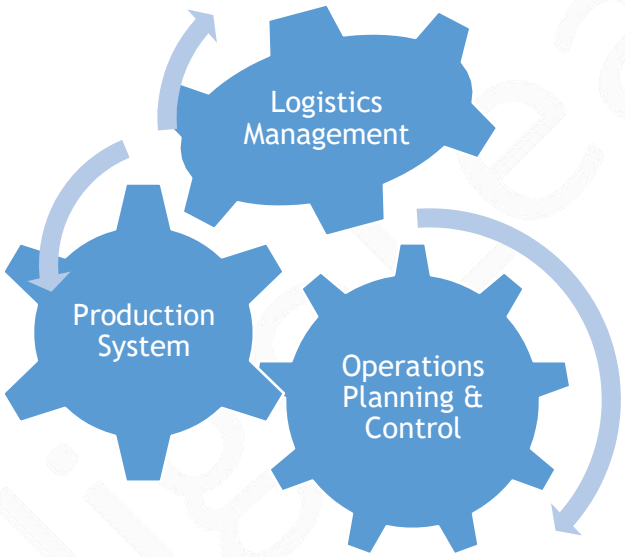
Synchro-Marketing: When the demand for a product is irregular due to season, some parts of the day or on an hour basis, causing idle capacity or overworked capacities, synchro-marketing can be used to find ways to alter the pattern of demand through flexible pricing, promotion, and other incentives. For example, products such as movie tickets can be sold at lower price over week days to generate demand.

Social Marketing: It refers to the design, implementation and control of programs seeking to increase the acceptability of social ideas, cause or practice among a target group. For instance, the publicity campaign for prohibition of smoking in Delhi explained the place where one can and can't smoke.

Service Marketing: It is applying the concepts, tools, and techniques of marketing to services. Services is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the banking, savings, retailing, educational or utilities.

PRODUCTION / OPERATIONS STRATEGY

Production Strategy is related to:



Production System:

The production system is concerned with the capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration and other factors.

Mater

Production / Operations Planning and Control:

Strategies related to operations planning and controls are concerned with aggregate production planning, materials supply, inventory, cost and quality management and maintenance of plant and equipment.

Here, the main aim of strategy implementation is to see how efficiently resources are utilized and in what manner the day-to-day operations can be managed in light of long-term objectives. For example, quality, Just-in-Time (JIT), preventive maintenance strategy etc. can be used as a strategic tool by companies.

Implementing Strategies:

There are at least three approaches to implementing strategies:

Leader	Follower	
• Be the first firm to market new technological products. • Glamorous and exciting strategy; but dangerous • Example: 3M and General Electric	• Be an innovative imitator of successful products, thus minimizing the risks and costs of startup. • Allow a pioneer firm to develop the first version of the new product and to demonstrate that a market exists. Then, develop a similar product. • Requires an excellent R&D personnel and an excellent marketing department.	• Be a low-cost producer by mass-producing products similar to but less expensive than products recently introduced. • Requires substantial investment in plant and equipment • Fewer expenditures in R&D than the other two approaches.

HUMAN RESOURCE STRATEGY

Role of Human Resources in Strategic Management

Parameter	Role
Staffing	HR Personnel to develop staffing plan for effectively implementing strategies
Incentives	Develop HR Policy to clearly link performance and pay to strategies Eg. Remuneration, bonuses and employee stock options etc.
Generic Employee Welfare	Ensure conducive work environment, maintain work life balance, sync individual and organizational goals

Matching	Jobs must be matched with people's individual aptitudes. Commonly used methods that match managers with strategies to be implemented are: • Transferring managers • Developing leadership workshops • Offering career development activities • Promotions • Job enlargement • Job enrichment etc.
Social / Political Structures	HR personnel must anticipate disruption of social and political structures and manage the same in the following manner: • Anticipate and realize new power and status relationships • Identify and consider values, beliefs, priorities of formal and informal groups • Deal with resistance behaviors as the power, prerogatives and their roles change within the organization
Top Management Support	Obtain top management support for all activities

Causes of HR Problems when business implements strategies:

a. Disruption of social and political structures
b. Failure to match individuals' aptitudes with implementation tasks
c. Inadequate support from top management

Achieving Competitive Advantage

In HR Management, competitive advantage may be in the form of low cost relationship in the industry or being unique in the industry along dimensions that are widely valued by customers and society. Thus, achieve a competitive edge by being a low-cost leader or differentiator.

The following points should be kept in mind as they can have a strong influence on employee competence:

- **Recruitment and selection:** The work force will be more competent if a firm can successfully identify, attract and select most competent applicants.
- **Training:** The workforce will be more competent if employees are well trained to perform their jobs properly.

- **Appraisal of performance:** The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies, can often be solved through counselling, coaching or training.

- **Compensation:** A firm can usually increase the competency of its workforce by offering pay, benefits and rewards that are not only attractive than those of their competitors but also recognizes merit.

Strategic Human Resource Management

Strategic HR Management is the linking of HR management with Firm strategic goals and objectives to improve business performance and develop organization culture that fosters innovation and flexibility.

HR Management Practices include:

- ***Pre-selection practices*** including HR planning and Job Analysis
- ***Selection practices***, policies and procedures, to staff various positions in the organization, keeping in view the mission and the purpose of the Firm
- ***Post selection*** practices to maintain and improve the workers job performance levels. HR decisions related to training and development, performance appraisal, compensation and motivation should be based on strategy of the Firm.

Strategic Role of HR Manager

1. **Providing purposeful direction:**
   - The management has to ensure that the objects of the organization are internalized by each individual working in the organization.

2. **Building core-competency:**
   - A *core competency* is a unique strength of an organization which may not be shared by others. This may be in the form of human resources, marketing capability or technological capability.
   - If the business is organized on the basis of core competency, it is likely to *generate competitive advantage*.
   - Many organizations have *restructured their businesses* by divesting those businesses which do not match their core competence. This requires ***creative, courageous and dynamic leadership*** having faith in organization's human resources.

3. **Creating competitive advantage:**
   - There are two ways a business can achieve competitive advantage:
     - ***Cost Leadership*** which means the Firm aims to become a low cost leader in the industry
     - ***Differentiation*** which means the Firm seeks to be unique in the industry in terms of dimensions that are highly valued by the customers
   - This requires a heavy premium on having a highly committed and competent workforce.

4. **Facilitation of change:**
   - HR function is responsible for furthering the organization and not just maintain it. Hence, HR personnel will have to devote more time to promote changes than to maintain the status quo

5. **Managing Diversity:**
   - Work-force diversity can be observed in terms of male and female workers, young and old workers, educated and uneducated workers, unskilled and professional employee etc. Further, differences arise on account of caste, religious beliefs and nationalities.
   - HR function is responsible for providing non-financial incentives as well to motivate the workforce and provide avenues for high degree of participation for all employees.

6. **Empowerment of human resource:**
   - Empowerment means authorizing every member of the organization to take his/her own destiny realizing his/her full potential.
   - It involves giving more power to those who have little control over what they do and little ability to influence decisions being made around them.

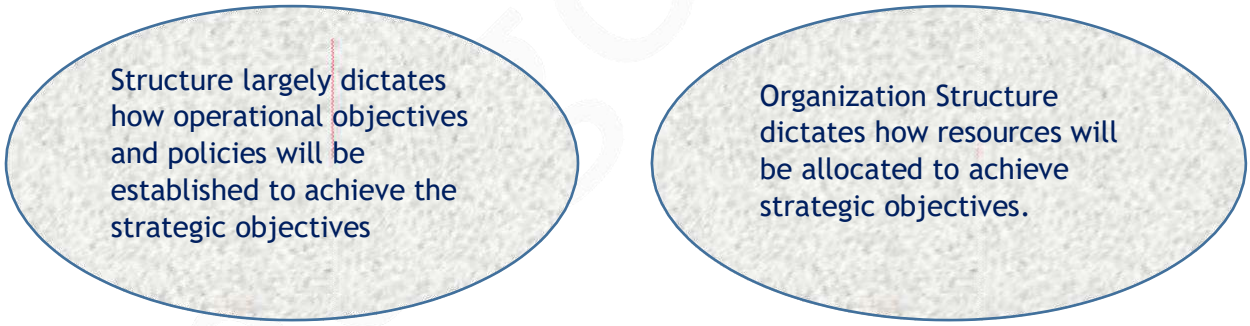
7. **Developments of works ethics and culture:**
   - Great efforts required to achieve cohesiveness as employees have transient commitment to groups.
   - Accordingly, the following steps may be taken by HR personnel:
     - Provide *flexible timings* for starting and quitting for employees.
     - Focus to shift from extrinsic to *intrinsic motivation*.
     - Develop a *vibrant work culture* to create an atmosphere of trust and to encourage creative ideas.

IndigoLearn

10.2 Structuring of organization for Implementing of Strategy and SBU

- The word **organization** means groups of individual working together to achieve specific objective. The word **structure** means part of a system or object arranged for a particular purpose.
- Organizational structure is the company's **formal configuration** of its (Acronym: GAP ID)

  Intended roles
  Procedures
  Governance mechanisms
  Authority
  Decision-making processes.
- Organizational structure acts as a framework which reflects **manager's determination** of what a company does and how tasks are completed.
- Organization structure influence by factor such as
  - organization's age
  - organization's size
  - Type of organization
- The company's structure must be **congruent** with or fit with the company's strategy.
- Changes in corporate strategy often require changes in the way an organization is structured for **two reason**



- Changes in strategy lead to changes in organizational structure.
- Structure should be designed or redesigned to facilitate the strategic pursuit of a firm.
- When organization structure become **ineffective**?
  1) Too many levels of **management**.
  2) Too many meetings attended by too **many people**.
  3) Too much attention being directed toward solving **interdepartmental conflicts**.
  4) Too large a **span of control**.
  5) Too many **unachieved objectives**.
- How Structure can also influence strategy?
  - If a proposed strategy required **massive** structural changes it would not be an attractive choice.
- **Reason** for having an organization structure
  - To fix the **roles and responsibility**.
  - To fix the **line of communication**.
  - The person to whom **reports** should be submitted.

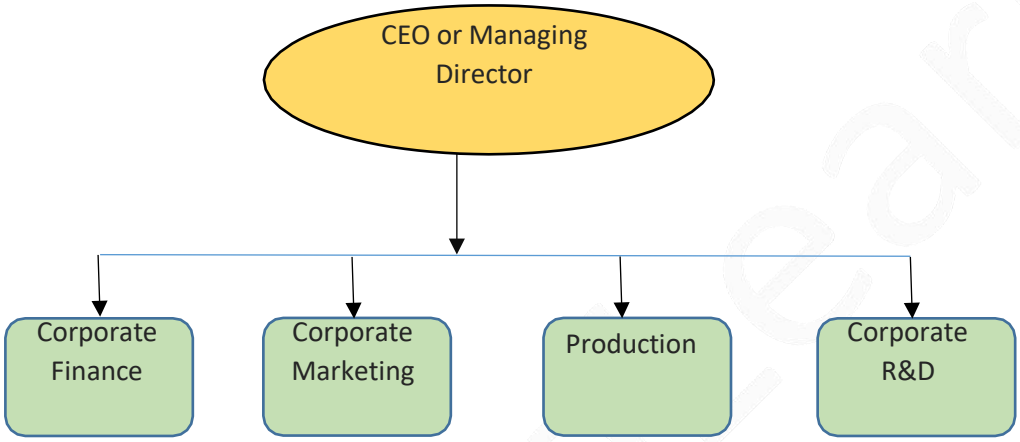
2. Types of organization Structure

SIMPLE STRUCTURE

Definition	Characteristics	Advantage
• A simple structure is an organizational form in which the **owner-manager** makes all major decisions directly and monitors all activities, while the company's staff merely serves as an **executor**.	• **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**. • Competitive advantage. • Ability to respond more rapidly to environmental changes. • Greater structural flexibility.

- Simple structure is **appropriate** for
  1) Where operations are limited to **specific geographical market.**
  2) Implementing focused **cost leadership** or focused **differentiation strategies.**
- As small companies grows, the company outgrows the simple structure due to following **reason**:
  1) As small company grows, there are significant increase in the amount of **competitively relevant information** that requires processing. As a result, it put pressure on owner-manager.
  2) To coordinate more **complex organizational functions.**

FUNCTIONAL STRUCTURE



Definition

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

Advantage

- Simplicity and **low cost.**
- Promotes **specialization** of labour.
- Encourages **efficiency.**
- Minimizes the need for an elaborate **control system.**
- Allows rapid **decision making.**

Limitation

- Differences in functional specialization and orientation may impede **communications and coordination.**
- Functional specialists often may develop a **narrow perspective.**
- Losing sight of the company's strategic **vision and mission.**

Comparison of Functional structure and Simple Structure

Basis	Functional Structure	Simple structure
Decision Making	Corporate decision by CEO or MD and respective functional decision making by respective functional line manager.	Done by owner or manager. (single person)
Specialization	It leads to specialization in particular task.	Less specialization of task.
Communication	Differences in Functional specialization hamper communication and coordination.	Frequent and direct communication.

IndigoLearn

DIVISIONAL STRUCTURE

Definition	Advantage	Limitation
• The divisional structure can be organized in one of the four ways: ***by geographic area, by product or service, by customer, or by process.*** • In divisional Structure,functional activities are performed both **centrally and in each division separately.**	• **Accounatbility** is clear.divisional managers can be held responsible for sales and profit level. • Employee **morale** is generally higher in a divisional structure than it is in centralized structure because managers and employees can easily see the results of their good or bad performances. • Creates **career** development opportunities for managers. • Allows **local control** of local situations • Leads to a **competitive climate** within an organization. • Allows **new businesses** and products in be added easily.	• Divisional Structure is costly.**Why ?** • Because division requires **functional specialists** who must be paid. • Because there exists some **duplication of staff services**, facilities, and personnel. • Because the divisional design forces delegation of authority better -qualified individuals requires higher salaries. • It requires an elaborate, headquarters-driven **control system.** • Certain regions, products, or customers may sometimes receive **special treatment**, and It may be difficult to maintain consistent, company wide practices.

Divisional Structure by Geographic Area

Appropriate For: 1) organizations whose strategies are formulated to fit the particular needs and characteristics of customers in **different geographic areas**.

2) Organizations that have **similar branch facilities** located in widely dispersed area.

Advantage: Allows local participation in **decision making** and improved **coordination** within a region**.**

Divisional Structure by Product (or service) wise

Appropriate For: When specific products or services need **special emphasis**.
When an organization offers only a **few** products or services.
When an organization's products or services differ **substantially**.

Advantage: Allows strict **control** over and attention to product lines.

Disadvantage: Require a more **skilled management** force and reduced top management **control.**

Divisional Structure by Product (or service) wise

Appropriate For: when a few major customers are of paramount importance and **many different services** are provided to these customers.

Advantage: Allows an organization to cater effectively to the requirements of clearly defined customer groups.

Divisional Structure by Process

Similar to a functional structure, because activities are organized according to the way work is actually performed.

Then what is the difference?

Functional departments are **not accountable** for profits or revenues, whereas divisional process departments are evaluated on these criteria.

IndigoLearn

2. STRATEGIC BUSINESS UNIT (SBU STRUCTURE)

DEFINITION

An SBU is a **grouping** of related businesses, which is agreeable to composite planning treatment. A multi-business enterprise groups its businesses into a few distinct business units in a **scientific way**.

NECESSITY FOR SBU STRUCTURE

It is impractical for an enterprise with a multitude of businesses to provide **separate** strategic planning treatment to each one of its products/businesses.

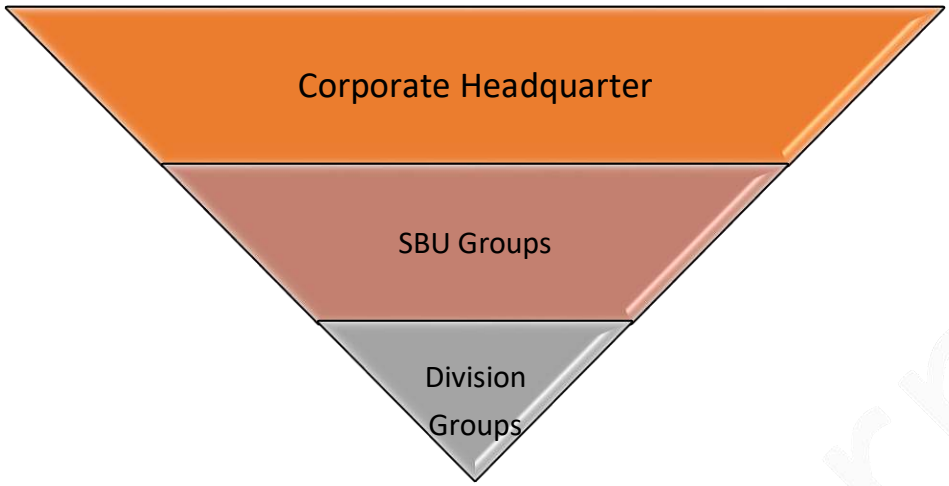
CHARACTERISTICS OF A SBU

1) Single business or a collection of a **related businesses**, for which **independent planning** can be done and which might feasibly **standalone** from the rest of the organization.
2) It has its own set of **competitors**.
3) It has a manager who has responsibility for **strategic planning and profit performance**.
4) 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.
5) Each SBU will have a **CEO**. He will be responsible for strategic planning for the SBU and its profit performance.

How SBUs are Developed?

1) Composed of **operating units** where each unit represents a separate business to which the top corporate officer delegates responsibility for day- to-day operations and business unit strategy to its managers.
2) By such delegation, the corporate office is responsible for **formulating and implementing** overall corporate strategy and manages SBUs through strategic and financial controls.
3) Individual SBUs are treated as **profit centers** and controlled by corporate headquarters that can concentrate on strategic planning rather than operational control.

The principle underlying the grouping is that all related products should fall under one SBU.



Three Levels of SBUs Structure

Advantage:

- Within each SBU, divisions producing similar products and/or using similar technologies can be organized to achieve **synergy**.
- A **scientific method** of grouping the businesses of a multi-business corporation which helps the firm in strategic planning.
- An improvement over the **territorial grouping** of businesses and strategic planning based on territorial units.
- Products/businesses within an SBU receive **same strategic planning** treatment and priorities.
- Enables the company to more **accurately monitor** the performance of individual businesses.
- Facilitates **comparisons** between divisions.
- Improving the **allocation of resources**.
- Simplifying **control** problems.
- Stimulate managers of **poorly performing divisions** to seek ways to improve performance

Comparison of Divisional structure and SBU structure

Divisional Structure	SBU Structure
The responsibility for overall direction for each division lies with Corporate head office	The responsibility for overall direction for each division lies with the SBU.
Financial performance	Financial performance is

indicator is not relevant as authority to take decision lies with corporate head office.	relevant for evaluation as SBU managers are autonomous to great extent.

3. MATRIX STRUCTURE

Definition	Advantage	Limitation
• In 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**. • A matrix structure is the most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication . • Simply matrix structure is a combination of Divisonal and functional structure.	• Project objectives are clear. • Workers can see the visible results of their work. • Shutting down a project is accomplished relatively easily. • It is very useful when the external environment is very complex and changeable. • It reflects the benefit of both functional and divisional strcuture. • Employee can adopt best practice from one division in another division.	• Higher overhead because it has more management positions. • Dual lines of budget authority. • Dual sources of reward and punishment. • Complexity in shared authority. • Dual reporting channels. • Need for an extensive and effective communication system. • Might be a continuous battle for power between product and functional manger. • Difficulties in implementation and trouble in managing.

Appropriate:

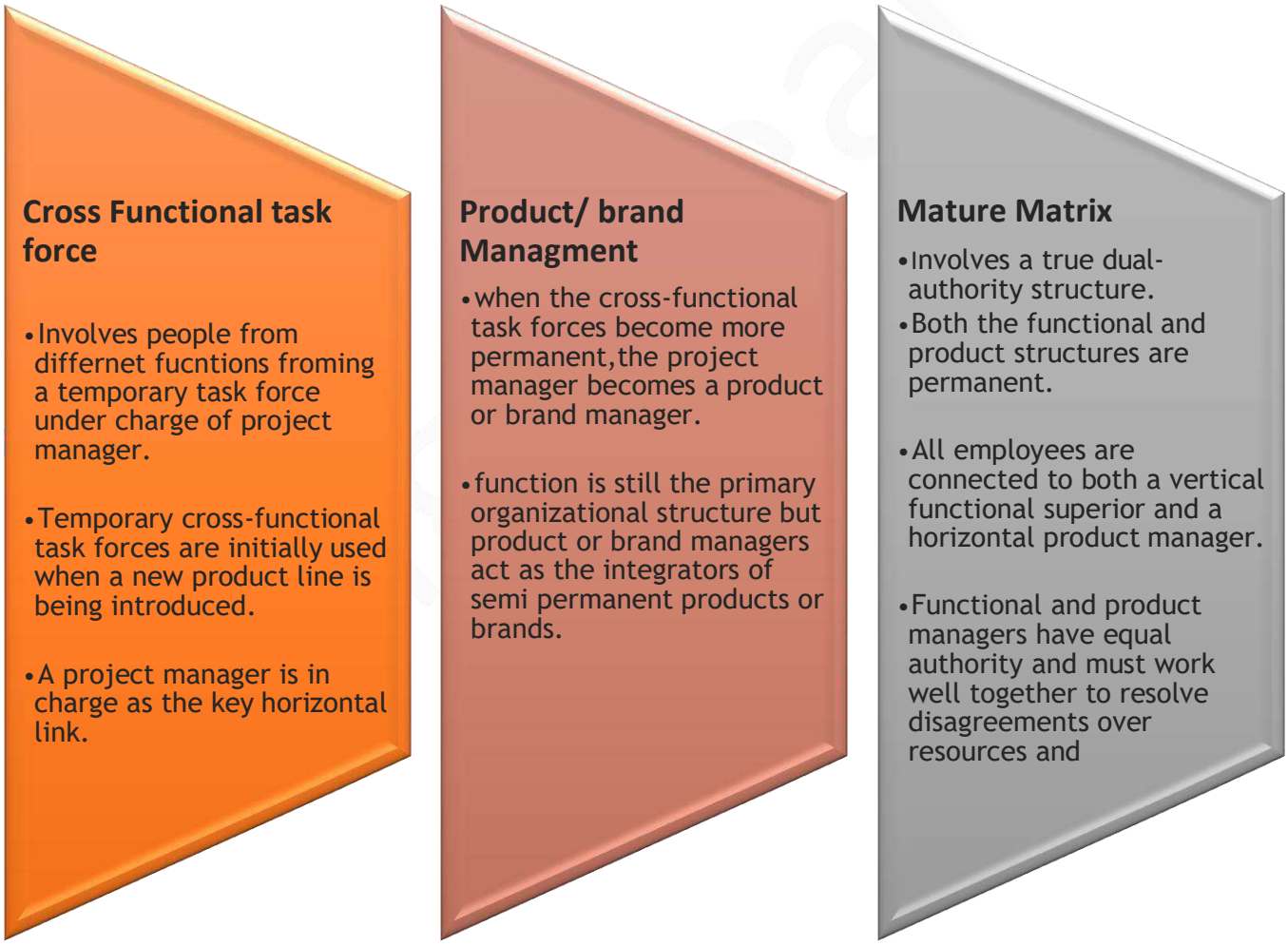
- Widely used in such business where the **external environment** is not stable.
- Widely used when the business is a **project- based business.**

Matrix structure was developed to combine the stability of the functional structure with the flexibility of the product form.

Matrix structure need when

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

Phases of Developing Matrix Structure



Strategic Control

A. *Definition:*

The controlling function involves

- monitoring the activity and
- measuring results against pre-established standards,
- analyzing and correcting deviations as necessary and
- maintaining/adapting the system.

B. *Why is Control necessary?*

- To ensure and make possible the performance of planned activities.
- To regulate and check the behavior of events and people.
- To place restraints on undesirable tendencies.
- To make people conform to certain norms and standards.
- To ensure proper use of resources.

C. *Process of control has following elements:*

- Objectives of the business system which could be **operationalized into measurable and controllable standards.**
- mechanism for
    1. **Monitoring** and measuring the performance of the system.
    2. **Comparing** the actual results with reference to the standards.
    3. **Detecting** deviations from standards.
    4. **Learning** new insights on standards.
    5. **Providing feedback** and instruction for correction in system.

D. *Type of organizational control*

1) **Operational control**
    - Thrust of operational control is on **individual tasks or transactions**.
    - There is a **measurable relationship between inputs and outputs** which could be predetermined or estimated with least uncertainty.
    - Most of the control are operational control in organization.
    - **Example** of Operational control are stock control, production control quality control etc.

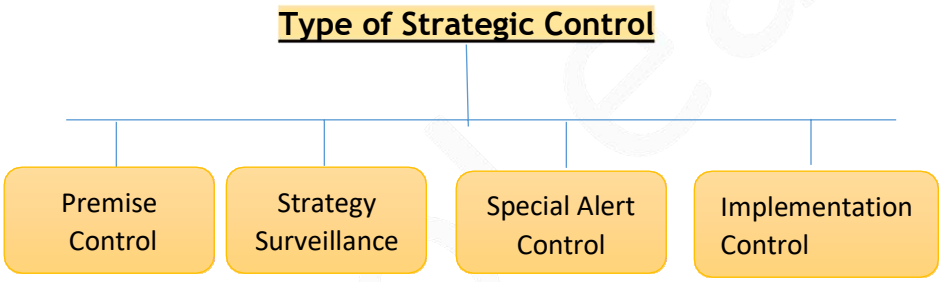
2) **Management Control**

- Management control is **more inclusive and more aggregative** when compared with operational control.
- It integrated activities of a complete department, division or even **entire organization**, instead or mere narrowly circumscribed activities of sub-units.

The basic purpose of management control is the **achievement of enterprise goals** – short range and long range – in a most effective and efficient manner.

3) Strategic Control

- **Definition**: 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.
- focuses on the dual questions of whether
  - the strategy is being implemented as planned
  - the results produced by the strategy are those intended
- A strategy might be affected on account of changes in internal and external environments of organization. So, there is a need for **warning systems** to track a strategy as it is being implemented.



IndigoLearn

Premise Control

What is premise?	What is premise control?	Premise control involves monitoring **two types of factors**
Certain assumption about the complex and **turbulent organizational environment**. A strategy is formed on the basis of certain premises.	It is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.	Environmental factors such as economic Technology, social and legal-regulatory. Industry factors such as competitors, suppliers, substitutes

Can all premises be controlled?

It is **neither feasible nor desirable** to control all types of premises. Also, different premises may require different amount of control. Thus, managers are required to select those premises that are likely to change and would **severely impact** the functioning of the organization and its strategy.

Strategy Surveillance

- It involves **general monitoring** of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.
- We can say it is a **casual environment browsing**.
- Strategic surveillance may be **loose** form of strategic control but is capable of uncovering information relevant to the strategy.
  Example: Reading financial and other newspaper, attending conference, meetings etc.

Special alert control

- **Unexpected events** may force organizations to reconsider their strategy.
- To cope up with such eventualities, the organizations form **crisis management teams** to handle the situation.
- **Examples of Unexpected events**: change in government, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters.

Implementation control

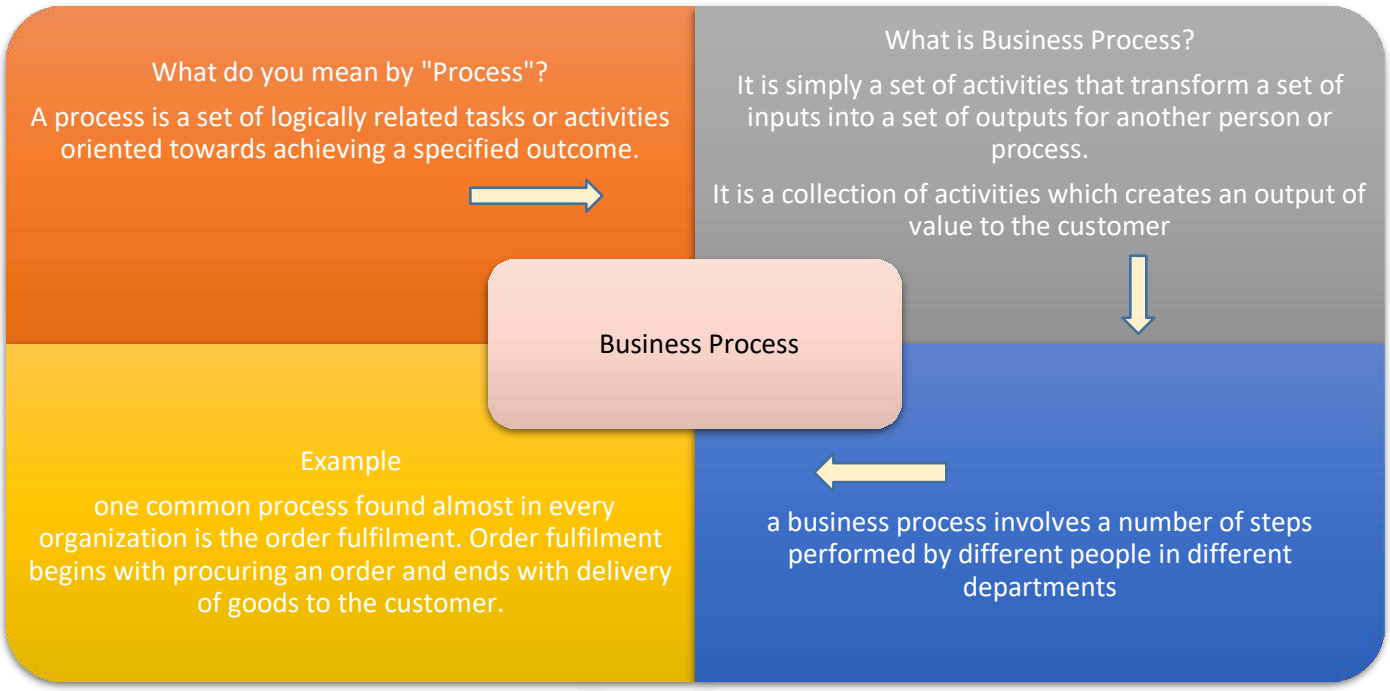
- Strategy implement by converting major plan into concrete, sequential actions. These Sequential actions are **incremental step** in implementation process.
- Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with **incremental steps and actions.**

Two basic form of Implementation control

1) **Monitoring strategic thrusts**: It helps managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
2) **Milestone Reviews:**
    a. It normally involves a complete **reassessment of the Strategy**.
    b. All major activities which are necessary for implementation of strategy are segregated in terms of time, events or major resources allocation.
    c. It also assesses the need to continue or refocus the direction of an organization

10.3 Business Process Re-engineering

A. Business Process



B. What is core business process?

- It is a process which is **extremely critical** for the success and survival of the enterprise.
- A core business process creates value by the capabilities it provides to the competitiveness.They are crucial for generating competitive advantages for a firm in the marketplace.

The core processes of a company may change over a period of time according to the shifting requirements of its competitiveness.

C. Why is process redesign needed?

Process design needed due to following reason

1) Most of the processes that the organizations are engaged in might have been developed by their **functional units** over a period of time. It also might have been evolved based on a series of unplanned decisions.

2) The individual departments aim at **optimizing their own performance** irrespective of the effect on other department. This may result in a sub-optimal performance for the organization as a whole.

3) The existing business processes and work patterns might have largely **obsolete and irrational** because of change in information and communication technologies.

D. Premises of Business process Reengineering

- The operational excellence of a company is a major basis for its competitiveness
- The business strategy of a company should be oriented towards leveraging its operational excellence into the marketplace
- A customer-focussed organization needs to be realigned in terms of a process orientation
- Process need to be managed, not only its components
- Each and every concept, assumption, purpose, and principle, needs to abandoned temporarily
- How to compete is more important than deciding about where to compete?
- Dramatic improvement in performance is the prerequisite for overcoming competition.
- Continuous improvement is lacking in the organisation

E. Business Process Reengineering

Definition

Reengineering: means putting aside much of the age-old practices and procedures of doing a thing.

Business Process Reengineering (BPR): It refers to the **analysis and redesign** of workflows and processes both within and between the organizations.

Objective

1) The objective is to provide **competitive advantage** to the enterprise.

2) To obtain **quantum (substantial) gains** in the performance of the process in terms of time, cost, output, quality, and responsiveness to customers.

3) Simplifying and streamlining a process by eliminating all **redundant and non-value adding steps.**

4) Unusual improvement in operating effectiveness through the redesigning of **critical business processes** and supporting business systems.

Nature

1) Focuses on critical business processes.
2) BPR looks at the minute details of the process, such as **why** the work is done, **who** does it, **where** it is done and **when** it is done.
3) BPR include total **deconstruction** and **rethinking** of a business process in its entirety irrespective of its existing structure and pattern.

In one sentence "Business process reengineering means starting all over, starting from scratch."

F. Elements of BPR (Acronym: FDR)

Points	Description
Reengineering begins with a Fundamental rethinking	1. Understanding fundamental question like **what** we do, **why** we do, why do we do it the way we do? 2. The thinking process in reengineering begins with a totally free state of mind without having any **preconceived notion**. 3. Reengineering first determines what a company must do and then it decides on how to do it. 4. Reengineering ignores what the existing Process is and concentrates on what it should be.
Reengineering involves Radical (Comprehensive) redesigning of process.	1. Radical redesigning means going to the **root of the problem areas** and not attempting to make any superficial changes. 2. Radical redesign involves completely discarding all existing structures and procedures and evolving completely new ways of doing the work.
Reengineering aims at achieving Dramatic improvement in performance.	1. Reengineering is not the solution for **marginal improvement** in any area of operation. 2. Reengineering is meant for replacement of the old process by altogether new one to achieve **dramatic improvement** in the performance. **3.** The main focus is on **Process.** 4. In order to improve its competitive position a firm must try to identify the **generic business processes** which significantly add to the value for its output to the customer and should try to focus on reengineering these processes first.

G. Generic Business Process classified in three broad categories: (Acronym PCM)

Points	Description
1. Processes pertaining to development and delivery of Product(s) and/or services	**Process:** Research, Design, Engineering, Manufacturing and logistics besides purchasing and material management.

2. Processes involving interface(s) with Customers	**Process**: Marketing, advertising, order fulfillment and service.
3. Processes comprising Management activities	**Includes**: Strategy formulation, Planning and budgeting, performance measurement and reporting, human resource management and building infrastructure.

H. Rationale of BPR

- Improving business processes is paramount for businesses to stay competitive in today's marketplace.
- New technologies (like Information Technology) are rapidly bringing new y capabilities to businesses, thereby raising the strategicalloptions and the need to improve business processes dramatically.

I. Implementation of BPR in organization

There are **2 Approaches:**

1) **Continuous Improvement Model:** Understand and measure current process and make Performance improvements.
2) Assume that current process are wrong or irrelevant and disassociation from existing process. This helps in looking at the problem with a clean mind, free of any biases.

J. Steps in BPR

Steps	Description
1. Determining Objective	Objectives are the **desired end results** of the redesign process which the management and organization attempts to realize. **BUT WHY?** To provide required **focus, direction, and motivation** for the redesign process. To help in building a **comprehensive** foundation for the reengineering process.

2. Identify customers and determine their needs	Understand customer profile, their steps in acquiring using and disposing a product. **BUT WHY?** To **redesign business process** that clearly provides value addition to the customer.
3. Study the existing process	Studying existing process is relevant in Continuous improvement model only. **BUT WHY?** To gain an understanding of the 'what', and 'why' of the **targeted process.**
4. Formulate a redesign process plan	The information gained through above steps translated into **ideal design process**. Formulation of redesign plan is the real **crux of the reengineering efforts.** Customer focused redesign concepts are **identified and formulated.** **Alternative Process** are considered and the best is selected.
5. Implement the redesigned process	Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve **dramatic improvements.**

	Joint responsibility of designer and management to operationalize the new process.

K. How IT helps in BPR

It enhances Business value in three distinct areas

1) **Efficiency** – by way of increased productivity.
2) **Effectiveness** – by way of better management.
3) **Innovation** – by way of improved products and services.

IT system Reduces the time for Business process, remove geographical barriers, and helps in restructuring of relationship.

In a broader sense, IT enhances the quality of product and service which enable the business in improving to competitiveness and customer satisfaction.

L. Centre Thrust of BPR

"The reduction of the total cycle time of a business process."

- BPR aims at reducing the cycle time of process by eliminating the unwanted and redundant steps simplifying the systems and procedures
- Eliminating the transit and waiting times as far as possible. Even after redesigning of a process.

M. What is the characteristics of BPR which differentiate it with other process like Restructuring?

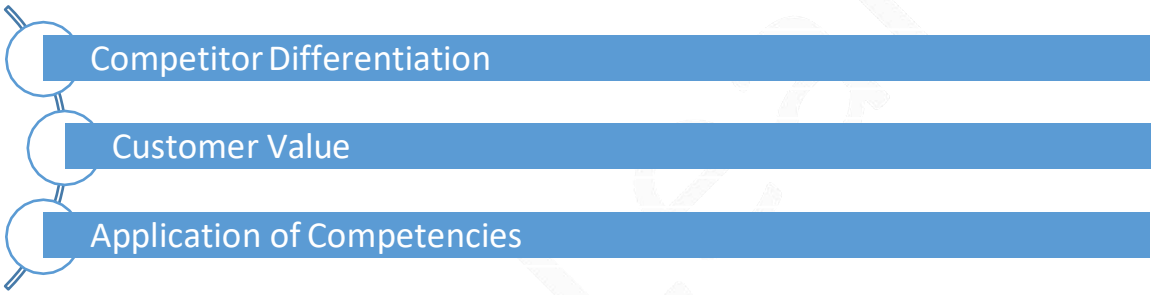
- Reengineering does not have any scope for any **partial modification or marginal improvement** in the existing business processes.
- BPR aims at utilizing **information technology** for evolving a new process, instead of automating the existing process.
- Focuses on a **multidimensional approach** disregarding the constraints of departmental boundaries.
- BPR efforts involve managing massive organizational change. Work changes from **task oriented to process oriented.**

N. Are there any problems in BPR

- It disturbs established hierarchies and functional structures
- Involves resistance among the workforce.
- Reengineering involves huge time and heavy expenditure.
- Setting of targets is tricky and difficult.

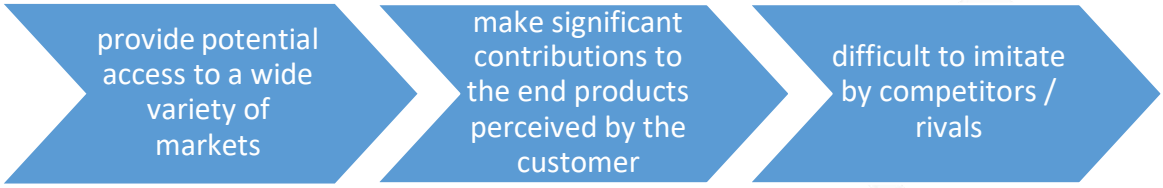
10.4 Core competencies and Critical success factors

- Core competencies are capabilities that serve as a source of competitive advantage for a firm over its rivals. An organisation's combo of technological & managerial know-how & experience are a complex set of capabilities & resources that can lead to a competitive advantage compared to a competitor.
- Competency is defined as a combination of skills & techniques rather than individual skill or separate technique which makes the whole org utilize these several separate individual capabilities.
- It has to be the integration of many resources. The optimal way to define core competence is to consider it as a sum of 5-15 areas of expertise.
- Major core competencies are identified in three areas:



  - ✓ **Competitor Differentiation**: The company is considered to have core competence if the competence is unique & difficult to imitate thereby providing a competitive edge over its competitors. Although all companies operating in the same market would have the equal skills & resources, if one company can outperform significantly better, the company has obtained a core competence.
  - ✓ **Customer value**: When purchasing a product or service it has to deliver a fundamental benefit to the end customer in order to be a core competence. The product/service has to have a real impact on the customer for them to choose it. If customer has chosen the company without this impact, then competence is not a core competence & it will not affect the company's market position
  - ✓ **Application of competencies**: Core competence must be applicable to the whole organization; it cannot be one particular skill or specified area of expertise. If it is not fundamental from the whole organisation's point of view, it will not be considered as core competence even if it is a special capability.
- Core technological competencies are also corporate assets; & as assets, they facilitate corporate access to a variety of markets & businesses.

- Core competencies distinguish a company competitively & reflect its personality. These competencies emerge over a period of time through a process of accumulating & learning how to deploy different resources & capabilities.
- It is important to identify core competencies because it is difficult to retain those competencies in a price war & cost-cutting environment.
- A core competency fulfils three criteria:



How to build core competencies:

Four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are core competencies are-
Valuable, Rare, Costly to imitate, Non-substitutable.

Valuable	• Create value for customers • Effectively utilise capabilitites to exploit opportunities • Avert threats in the external environment
Rare	• Very few competitors possess core competencies • Competitive advantage results in core competency only when firm develops & exploits valuable capability
Costly to imitate	• This means that such capabilities that competing firms are unable to develop easily • It may be costly in terms of finance or time
Non-substitutable	• Capabilities that donot have strategic equivalents • Final criteria for a capability to be a source of competetive advantage