

PART I (6 CH—40 MARKS)

CH1 INTRODUCTION TO STRATEGIC MANAGEMENT

STRATEGIC MANAGEMENT: MEANING AND PROCESS

Meaning

- **Strategic Management:** Long-term development of an organization with a clear **vision, objectives, and scope**.
- Provides overall **direction**, specifies **objectives**, develops **policies/plans**, and allocates **resources** for implementation.
- **Michael Porter's principles:**
 - **Unique market position**
 - **Trade-offs** (What not to do)
 - **Fit** (Aligning activities with strategy)

Definitions of Strategic Management

- **Chandler:** Determining long-term **goals/objectives**, adopting action course, and allocating **resources**.
- **Glueck:** Decisions and actions leading to **effective strategy** for achieving corporate objectives.
- **Paine & Naumes:** Involves decisions/actions with:
 - **Wider ramifications**
 - **Long-term perspective**
 - **Use of critical resources** for opportunities/threats.
- **Hambrick & Chen:** Formulation/implementation of major **goals/initiatives** based on **resources** and internal/external assessments.

Strategic Management: Process

- Continuous process involving **appraisal** of micro and macro environment and **re-assessment** of strategies.
- Sequential phases to choose **strategies** for improved **performance**.

Four Phases of Strategic Management Process

1. **Environmental Scanning:**
 - Review **performance**
 - Scan **internal environment** (strengths, weaknesses) and **external environment** (opportunities, threats)
 - Select strategic factors aligned with **mission** and **objectives**.
2. **Strategy Formulation:**
 - Decide the best **course of action** to accomplish objectives.
 - Formulate **corporate, business, and functional strategies** after environmental scanning.
3. **Strategy Implementation:**
 - **Put strategy into action**
 - Design **organization structure**, allocate **resources**, develop **decision-making processes**, and manage **human resources**.
4. **Strategy Evaluation:**
 - Appraise **internal/external factors**
 - Measure **performance** and take **corrective actions**
 - Ensure strategy and implementation align with **objectives**.

This format is ready for fast revision while maintaining key concepts and minimal grammar.

STRATEGIC LEADERSHIP

Definition

- **Strategic Leadership:** Ability to influence decisions enhancing **long-term success** while maintaining **financial stability** (May).
- Deals with **vision**, growth direction, and **change management**.
- Involves **strategy formulation, implementation, and leadership skills**.

Key Aspects of Strategic Leadership

- Articulates **strategic vision**, motivates and influences **subordinates** to achieve goals.

- Utilizes **strategy** in employee management and leads **organizational change**.
- Ensures **alignment** of individual job roles with **organizational needs**.
- Encourages creativity, resourcefulness, and goal achievement.

Functions & Importance of Strategic Leader

1. **Navigator:** Resolves complexity, affects **actions** (leverage opportunities, resolve issues).
2. **Strategist:** Develops **long-range goals** aligning with organizational vision.
3. **Entrepreneur:** Identifies and exploits new **opportunities**.
4. **Mobilizer:** Builds and aligns **resources** for complex objectives.
5. **Talent Advocate:** Attracts, develops, and retains **talent**.
6. **Captivator:** Builds **passion and commitment** towards common goals.
7. **Global Thinker:** Integrates diverse information to optimize **performance**.
8. **Change Driver:** **Facilitates change**, encourages acceptance of new ideas.
9. **Enterprise Guardian:** Ensures **shareholder value**, courageous decision-making.

Strategic Management Role for Company Secretaries

Company Secretary Roles

- Critical role in **governance**, acting as **Key Managerial Personnel** and **strategist**.
- Ensures **corporate governance** and **strategic planning**.

Strategic Management Tasks for Company Secretaries

1. **Advisory:** Provides unbiased advice to **Board Members**, supports **induction** and **training**.
2. **Communication with Stakeholders:** Links **Board** and **management**, communicates with **investors** and external stakeholders.
3. **Flawless Disclosure & Reporting:** Drafts **governance reports**, ensures **transparency**.
4. **Management of Board Meetings:** Schedules meetings, manages **agenda**, supports **decision-making**.
5. **Compliance:** Ensures adherence to laws (e.g., **Companies Act, SEBI, FEMA**).
6. **Representation:** Represents company in **tribunals** and **courts** (e.g., **NCLT, CCI**).

This format keeps all key points concise for fast revision, focusing on technical terms and reducing unnecessary grammar.

STRATEGIC PLANNING

Definition

- **Strategic Planning:** Process of defining an organization's strategy, allocating resources, and establishing control mechanisms for strategy implementation (Allison & Kaye, 2005).
- Originated in the **1960s**, remains vital today.

Strategic Planning Cycle

1. **Formulate Strategy**
 2. **Examine External Issues**
 3. **Propose Mission**
 4. **Examine Internal Environment**
 5. **Propose Goals**
 6. **Summarize SWOT Findings**
 7. **Final Strategy Formulation**
- **SWOT Analysis:** Strengths, Weaknesses, Opportunities, Threats.

Benefits of Strategic Planning

- **Improved Results:** Enhances organizational performance, boosts **accountability**.
- **Focus:** Refocuses and re-energizes organizations.
- **Problem Solving:** Focuses on critical problems and choices.
- **Teamwork:** Builds commitment and promotes learning.
- **Communication:** Aligns stakeholders with organizational goals.
- **Control:** Enhances control over external environment.

Limitations of Strategic Planning

- **Costly:** High time and money investment.
- **Poor Planning:** Faulty assumptions, poor analysis, and information overload.
- **Implementation Failure:** Plan ineffective without proper execution, leading to **disillusionment**.

BOARD OF DIRECTORS AND CORPORATE SOCIAL RESPONSIBILITY

Role of Board of Directors in Governance

- Critical in ensuring **good governance** through transparency, accountability, sustainability, and corporate citizenship.
- **Responsibility:** To act in the best interests of shareholders, guiding leadership, vision, strategy, and monitoring.

Board's Role in Strategic Decision Making

- **Trust:** Entrusted with responsibility to manage the company in shareholders' best interest.
- **Leadership:** Defines company's **purpose**, shapes **culture**, and sets strategy for **sustained success**.
- **Long-Term View:** Balances short-term priorities with **long-term sustainability**.
- **Risk Management:** Assesses and manages risks with prudent controls.

Board's Core Responsibilities

1. **Provide Direction** for management.
2. **Promote Ethical Leadership:** Displays and promotes desired business conduct.
3. **Create a Performance Culture:** Drives value creation while managing risks.
4. **Informed Decision-Making:** Makes decisions based on clear understanding of business.
5. **Support Statutory Duties:** Ensures compliance with the **Companies Act, 2013** and other relevant laws.
6. **Accountability:** Particularly to capital providers.
7. **Governance Evaluation:** Embraces **evaluation** of governance effectiveness.

This format ensures clarity and conciseness, covering all key points for fast revision.

Corporate Social Responsibility (CSR)

Definition

- CSR integrates **social, environmental, and economic concerns** into business values, culture, strategy, and operations transparently. It aims to create wealth and improve society.
- Originated in the **1950s**, known as **Social Responsibility** initially.
- **Howard Bowen (1953)** coined the term **CSR** in his book "*Social Responsibilities of the Businessman*". Bowen emphasized businesses' obligation to pursue actions beneficial to society's objectives.

CSR Evolution

- CSR is now seen as a strategy and opportunity to gain **stakeholder goodwill**.
- Defined by **World Business Council for Sustainable Development (1999)**: CSR is the **commitment** to act ethically, contribute to **economic development**, and **improve quality of life** for the workforce, local community, and society.

CSR Scope

- Involves **social, economic, ethical, and moral** responsibilities.
- Compliance with **legal** and **voluntary** requirements for business practice.
- Addresses **needs of the economy** and **socially disadvantaged groups**.
- Effective **management** and **implementation** of CSR projects for societal benefit.

Importance of CSR

- CSR helps build trust, enhances **market penetration**, and improves **stakeholder relations**.

- **Consumers, suppliers, employees, and NGOs** prefer to engage with companies that are socially responsible.
- **CSR activities** impact all stakeholders and contribute to the **bottom line**.

CSR Definition under Companies Act, 2013

- **Rule 2(d)** of Companies (CSR Policy) Rules, 2014 defines CSR as activities undertaken by a company as part of statutory obligations under **Section 135** of the Companies Act.
- Exclusions:
 1. Activities in the **normal course of business** (except R&D for COVID-19-related medical products).
 2. Activities **outside India**, except for certain sports training.
 3. **Political contributions** under **Section 182** of the Act.
 4. Activities benefitting **company employees**.
 5. **Marketing-related sponsorships**.
 6. **Statutory obligations** under other laws.

Benefits of CSR

1. **Reputation & Brand Equity:**
 - Builds **trust** and **credibility**, attracting customers willing to pay a premium.
 - Poor CSR performance can harm **brand value**.
2. **Employee Engagement:**
 - CSR boosts **employee loyalty** and fosters a **positive workforce** culture.
3. **Regulatory Advantage:**
 - CSR activities may reduce **government intervention**, providing more **freedom** in decision-making.
4. **Societal Impact:**
 - Organizations help address **social problems** and encourage **cooperation** with other companies.
 - CSR activities can **create employment opportunities** and **address grievances**.
5. **Investor Interest:**
 - **Financial institutions** increasingly factor CSR into their investment decisions.
6. **Government Benefits:**
 - Governments expedite approvals for firms with **beyond-regulation CSR activities**.

This concise format highlights key points for quick reference and revision.

Factors Influencing CSR

1. **Globalization**
 - Cross-border trade, multinational enterprises, and global supply chains raise CSR concerns on **HR practices, environmental protection, and health & safety**.
2. **Governments & Intergovernmental Bodies**
 - Entities like UN, OECD, and ILO create **compacts, declarations, and guidelines** setting social norms for acceptable corporate behavior.
3. **Advances in Communication Technology**
 - The **Internet, cell phones, and PDAs** allow easy tracking and dissemination of corporate activities. NGOs highlight unethical practices via **websites**.
4. **Consumer & Investor Interests**
 - Growing consumer and investor interest in supporting **responsible business practices** and **environmental issues**.
5. **Corporate Ethics Breaches**
 - High-profile corporate failures have led to **public mistrust** and a need for better **corporate governance, transparency, and ethical standards**.
6. **Citizens' Expectations**

- **Citizens** worldwide demand that corporations meet **social and environmental** standards, regardless of location.
- 7. **Limits of Government Regulation**
 - Government regulations cannot cover all CSR aspects, creating a **need for voluntary CSR efforts**.
- 8. **Business Risk Management & Opportunities**
 - **CSR** reduces **business risks**, opens new **opportunities**, and enhances **brand and reputation**.
- 9. **Attracting Ethical Employees**
 - Ethical employees are attracted to **CSR-focused companies**.
- 10. **Executive Mindset**
 - CSR effectiveness is influenced by the **mindset** of executives leading CSR initiatives.
- 11. **Implementing Agencies**
 - Successful CSR depends on the **integrity, honesty, and attitude** of **implementing agencies**.

Case Studies

Reliance Industries Limited (RIL)

- **CSR Focus:**
 - **Community Infrastructure, Health Care, Education, and Skills Enhancement.**
- RIL's CSR philosophy is driven by **SIS**:
 - **Scale, Impact, Sustainability.**
- CSR is strategically consolidated to address **discrete social problems**.
- RIL's CSR governance is managed by a **CSR&G Committee** that reports to the Board of Directors.

Tata Steel

- **CSR Evolution:**
 - From **provider to enabler**—building community capacity through **training and technical support**.
 - Focuses on **sustainable development** to enhance life quality.
- **Guiding Principle:** Wealth must be continuously returned to society through **social, environmental, and economic** responsibility.
- **CSR Activities:**
 - Involves over **800 villages** in **Jharkhand, Odisha, and Chhattisgarh**.
 - Collaborative efforts with **government, NGOs, and development organizations**.
- Tata Steel uses the **Human Development Index (HDI)** to assess the effectiveness of its CSR initiatives, with **Corporate Social Responsibility Advisory Council** for better resource allocation.

Role of Board of Directors in CSR Activities

- **Approval of CSR Policy:**
 - Board approves the company's CSR policy and ensures it's disclosed in the report and on the website.
- **Implementation Oversight:**
 - Ensure CSR activities outlined in the policy are executed by the company.
- **Financial Commitment:**
 - Ensure at least 2% of the average net profits over the last 3 years is spent on CSR annually.
- **Utilization Verification:**
 - Ensure proper utilization of CSR funds disbursed.
- **Failure to Meet CSR Spending:**
 - If the 2% spending requirement isn't met, Board must specify reasons and transfer unspent funds as per **Section 135(5) and 135(6)** of the **Companies Act, 2013**.
- **Action Plan Adjustment:**
 - Alter the CSR action plan based on recommendations from the CSR Committee.

- **Additional Responsibilities:**
 - Oversee monitoring of projects (ongoing/completed), **administrative overheads, CSR reporting, impact assessment, and disclosures** (e.g., website).

Case Law: In re Chettinad Earth Movers (P.) Ltd.

- **Facts:**
 - The company failed to disclose CSR policy details in its Board report for FY 2014-15. The directors claimed the disclosure wasn't mandatory, but the court found them in violation of **Section 134(3)(o)** and **Section 135** of the **Companies Act, 2013**.
- **Decision:**
 - The company and its officers were penalized, with fines of Rs. 50,000 each imposed on the company and two officers. This was treated as a **first offence** and compounded under **Section 441**.

CSR and Corporate Governance

- **Evolution of CSR:**
 - CSR has shifted from charity to a more integrated approach, embedded within **corporate governance**.
- **Governance and CSR Synergy:**
 - Good corporate governance incorporates CSR, addressing not just profit but also the impact on stakeholders, the environment, and society.
- **Ethical Practices:**
 - Both CSR and corporate governance prioritize **ethical business practices** and responsiveness to stakeholders and the environment.

Corporate Governance

- **Definition:** Corporate governance refers to the systems, processes, and structures through which companies are directed and controlled. It aims to achieve organizational goals, manage stakeholder relationships, and enhance accountability, reducing the principal-agent problem.
- **Objective:**
 - Apply best management practices.
 - Ensure compliance with laws and ethical standards.
 - Promote effective wealth management and social responsibility for sustainable development.
- **Importance:**
 - Enhances investor confidence.
 - Ensures transparency and balanced economic development.
 - Safeguards the interests of both majority and minority shareholders.
 - Promotes full exercise of shareholder rights.
- **Tricker's Definition:** Corporate governance addresses how corporate entities are governed, specifically focusing on the Board of Directors' role in managing relationships with management, owners, and stakeholders.

Objectives of Corporate Governance

- **Wealth Maximization:**
 - Focus on maximizing shareholder wealth.
- **Social Responsibility:**
 - Balance profit-making with social responsibility towards stakeholders.
- **Key Objectives:**
 1. **Board Constitution:** Independent, objective decision-making.
 2. **Independence:** In terms of Non-Executive and Independent Directors.
 3. **Transparency:** Adopt transparent practices.
 4. **Stakeholder Concerns:** Address concerns effectively.

5. **Monitoring Management:** Ensure Board oversight over management.
6. **Control:** Board should maintain control of company affairs.

Role of Company Secretary in Corporate Governance

- **Corporate Governance Expert:**
 - Company Secretaries are key players in shaping and implementing good governance practices, integrating disciplines like accounting, finance, law, and management.
- **Primary Role:**
 - Provide guidance and direction on corporate governance matters.
- **Core Responsibilities:**
 1. **Communication Link:** Between the company, Board, shareholders, stakeholders, and regulatory authorities.
 2. **Board Procedures:** Ensure adherence to Board procedures and regular reviews.
 3. **Guidance on Duties:** Advise on legal, regulatory responsibilities of the Board.
 4. **Compliance Officer:** Advise on corporate, business, economic, and tax laws.
 5. **Management Team Member:** Act as a conscience keeper and strategic advisor.

Core Competencies for Company Secretaries:

1. **Thorough Business Knowledge:** Understand the company's operations.
2. **Legal Expertise:** In corporate, capital markets, and industry laws.
3. **Strong Skills:** In communication, legal matters, management, and IT.
4. **Intuition and Sensitivity:** Understand the thoughts and feelings of Board Directors and CEOs.
5. **Awareness of Governance Changes:** Stay updated on new developments.
6. **Teamwork:** Work in multidisciplinary settings and achieve consensus.
7. **Flexibility and Creativity:** Adapt to changes with attention to detail.
8. **Calm under Pressure:** Maintain perspective in stressful situations.

CH-2 ANALYZING THE EXTERNAL AND INTERNAL ENVIRONMENT

Environmental Influences of Business

- **Definition:** Business environment refers to the external and internal factors affecting a business's functioning. It influences the business's operations, growth, and decision-making. The business environment consists of factors like suppliers, competitors, customers, government, and economic conditions, which can present opportunities or threats.
- **Key Points:**
 - Business doesn't exist in isolation; it depends on the external and internal environment.
 - The external environment offers both opportunities and threats to businesses.
 - Internal environment refers to factors within the organization, such as policies, culture, and management structure.
 - **Impact:** Changes like a tax rate alteration can affect business operations (e.g., reworking pricing policies).

Importance of Environmental Study

- **Benefits:**
 - Helps in developing strategies and long-term goals.
 - Prepares businesses to deal with changes in the environment.

- Forecasts the impact of socio-economic changes on business stability.
- Analyzes competitors' strategies and formulates countermeasures.
- Keeps the business dynamic and up-to-date.

Characteristics of Business Environment

1. **Dynamic:** Constantly changes, with frequent impacts on business operations.
2. **Direct and Indirect Impact:** Environmental factors can affect business directly or indirectly.
3. **Internal and External Factors:** Encompasses both internal (within the company) and external (outside the company) forces.
4. **Integral Part of Business:** Business cannot operate effectively without considering these forces.
5. **Decision Influence:** The environment shapes business decisions (proactive or reactive).
6. **Multi-dimensional:** Includes both positive and negative effects.

Components of Business Environment

1. **External Environment:** Factors outside the business affecting its operations (e.g., government policies, market conditions, technology, competitors).
 - **Sub-divisions:**
 - **Micro Environment:** Immediate factors affecting the business.
 - **Macro Environment:** Broader external influences.
2. **Internal Environment:** Factors within the company, such as organizational structure, internal policies, and culture.

External Micro Environment

The micro environment consists of factors directly affecting the business, such as:

1. **Suppliers:** Provide resources like raw materials, finances, and power. Changes in suppliers' policies (e.g., price rise or scarcity of inputs) can affect production and sales.
2. **Customers:** Individuals or groups purchasing the company's products or services. Customer satisfaction is critical for business survival and growth.
3. **Marketing Intermediaries:** Firms involved in the distribution and promotion of products. These include transport firms, media firms, banks, and insurance companies.
4. **Competitors:** Firms in the same industry competing for customers. Competition can be based on price or other factors like advertising and product variety.
5. **Public:** Any group with a potential interest or impact on the company's ability to achieve its objectives. This includes environmentalists, media groups, consumer protection organizations, and local communities. Companies monitor public behavior to align their policies accordingly.

B. External Macro Environment

The macro environment consists of external forces beyond the company's control. Businesses must adapt to these forces, harnessing opportunities and mitigating threats. These forces are:

1. **Economic Environment:** Includes forces that have economic impact on business activities.
 - **Factors:**
 - Government fiscal and tax policies
 - General economic conditions (growth, inflation)
 - Economic systems (capitalist, socialist, mixed economy)

- Economic policies, growth rates, unemployment rate, interest rates
 - Currency exchange rates, taxes, national income, per capita income
 - **Impact:** Economic conditions affect production, pricing, and investment decisions. A change in economic environment demands business adjustments in strategies.
- 2. **Political-Legal Environment:**
Encompasses activities of political institutions (legislature, executive, judiciary) and the legal framework regulating business.
 - **Political Factors:**
 - Political climate, stability, government debt, budget deficit/surplus
 - Corporate and personal tax rates, payroll taxes, import tariffs
 - **Legal Factors:**
 - Minimum wage laws, labor laws, copyright/patent laws, environmental protection laws
 - Anti-monopoly laws, municipal licenses, laws favoring business investment
 - **Impact:** Political stability and legal frameworks impact business operations and regulatory compliance.
- 3. **Technological Environment:**
Involves technological advancements and innovations that influence business operations.
 - **Factors:**
 - Infrastructure efficiency (roads, ports, airports, etc.)
 - Industrial productivity, new manufacturing processes, competitors' technological advancements
 - Cost/accessibility of electrical power, new products/services
 - **Impact:** Technology influences production processes, product development, and customer interaction (e.g., e-commerce, mobile tech). Non-adaptation can result in missed opportunities.
- 4. **Global or International Environment:**
Influenced by global economic and political changes, particularly post-globalization (e.g., WTO agreements).
 - **Impact:** Cross-border trade, international regulations, and global market access shape business activities, especially in an interconnected world.
- 5. **Socio-cultural Environment:**
Social values, cultural norms, and societal concerns influence business.
 - **Factors:**
 - Consumerism, social welfare, ethical practices (fair trade)
 - Cultural values, tastes, preferences, and buying behaviors
 - **Impact:** Businesses must align products and marketing strategies to societal values and address social issues (e.g., environmental concerns, employment opportunities).
- 6. **Demographic Environment:**
Relates to the population's characteristics that affect business.
 - **Factors:**
 - Gender ratio, population size and growth, life expectancy, urban-rural distribution
 - Educational levels, language skills, labor force composition
 - **Impact:** Population characteristics influence product demand, workforce availability, and business location strategies (e.g., labor-intensive vs. capital-intensive industries).

- 7. **Natural Environment:**
Includes natural resources essential for business production.
 - **Factors:**
 - Geography, climate, weather, mineral/oil reserves, water and forest resources
 - Impact of natural calamities (floods, droughts) on business operations
 - **Impact:** Availability of resources affects production costs (e.g., steel production near coal mines) and product demand (e.g., demand for air conditioners in hot climates).
- 8. **Ecological Environment:**
Concerns the impact of industrial activities on the environment.
 - **Factors:**
 - Pollution of air, water, and soil due to industrial activity
 - Legislative measures (Pollution Control Board) to protect the environment
 - **Impact:** Companies must adhere to environmental protection regulations and practice sustainable use of resources to avoid harm to the ecosystem.

These macro-environmental factors shape the overall business landscape and influence strategic decisions, often requiring businesses to be flexible and responsive.

(ii) Internal Environment

The internal environment of a business consists of factors that the firm can control to some extent, which impact its ability to adapt and thrive in response to external environmental forces. Key internal factors include:

- 1. **Value System:**
The ethical beliefs and guiding principles that shape a company's operations and culture.
 - **Impact:**
 - Establishes the company's behavior towards employees, customers, and society.
 - Example: J.R.D. Tata's value system of fairness and moral obligation in business practices influenced the Tata Group's success.
 - Example: Infosys' high value system focusing on fairness, honesty, transparency, and courtesy towards stakeholders.
- 2. **Mission and Objectives:**
Defines the company's purpose and guiding philosophy.
 - **Mission:** Overall purpose that guides the company's decisions and activities.
 - **Objectives:** Typically focused on profit maximization, but also include long-term goals like client satisfaction and market leadership.
 - **Example:**
 - **Reliance's** mission: Provide value-adding advice and maintain trustful client relationships.
 - **Vision:** To be the preferred partner and exceed clients' expectations.
 - **Values:** Quality, innovation, and client enthusiasm.
- 3. **Organisation Structure:**
Determines how decisions are made within the company.
 - **Impact:**
 - A well-structured organization enables efficient decision-making.
 - **Board of Directors** plays a critical role in governance and decision-making.
 - Efficient structure helps to improve transparency and accountability.
 - **Recommendation:** Increase independent directors on boards for better governance.

4. **Corporate Culture:**
Influences the functioning style of the organization, particularly decision-making and employee involvement.
 - **Types of Culture:**
 - **Closed culture:** Decisions made by top management, leading to a lack of trust and communication with lower-level managers.
 - **Open culture:** Participative decision-making, fostering trust and confidence between management and employees.
 - **Impact:** A positive corporate culture enhances employee morale and organizational efficiency.
5. **Quality of Human Resources:**
The skills, capabilities, attitudes, and commitment of employees.
 - **Impact:**
 - Directly affects organizational strengths and weaknesses.
 - Human resource management focuses on optimizing employee skills and fostering teamwork for organizational success.
 - Efficient use of human resources contributes to higher productivity and innovation.
6. **Labour Unions:**
Represent workers in negotiations for better wages and working conditions.
 - **Impact:**
 - Good relationships between management and labor unions ensure smooth operations.
 - Proper management of union issues is vital for maintaining organizational harmony.
7. **Physical Resources and Technological Capabilities:**
Includes plant, equipment, and technological infrastructure.
 - **Impact:**
 - Physical resources influence production capacity and cost efficiency.
 - Technological capabilities and R&D drive innovation, productivity, and competitive advantage.
 - Investments in new technology can improve operational efficiency and product development.

These internal factors determine the efficiency, adaptability, and growth potential of a business. Companies that align their internal environment effectively with the external macro environment are better positioned for success.

PORTER'S FIVE FORCES MODEL

Definition:

Porter's Five Forces Model, developed by Harvard professor Michael Porter in 1979, analyzes five key forces that shape the competitive environment of an industry. These forces determine the intensity of competition and the profitability level of an industry. The model is used to evaluate the attractiveness of an industry and guide strategic decisions.

Five Forces:

1. **Threat of New Entrants:**
 - Determines how easily new competitors can enter the industry.
 - High threat when:
 - Low capital investment required.
 - Few barriers to entry (e.g., no patents, trademarks, or strong brands).
 - Little government regulation.
 - Low customer switching costs and loyalty.
 - Easy access to economies of scale.

- **Impact:** High competition leads to decreased profitability.
2. **Bargaining Power of Suppliers:**
 - The power suppliers hold to raise prices and reduce the quality of goods/services.
 - High bargaining power when:
 - Few suppliers compared to many buyers.
 - Suppliers control scarce resources or offer unique products.
 - Switching suppliers is expensive.
 - Suppliers can forward integrate (move into the industry).
 - **Impact:** Suppliers can drive up costs, reducing profit margins for companies.
 3. **Bargaining Power of Buyers:**
 - The ability of buyers to influence prices and demand higher quality.
 - High bargaining power when:
 - Buyers purchase in large volumes or control market access.
 - Few buyers exist in the market.
 - Switching costs to competitors are low.
 - Buyers can backward integrate (produce the product themselves).
 - Close substitutes exist, and buyers are price-sensitive.
 - **Impact:** Reduced pricing power and margins for companies.
 4. **Threat of Substitutes:**
 - The likelihood that customers will find alternatives to a product or service.
 - High threat when:
 - Buyers can easily switch to substitute products with better quality or lower prices.
 - Switching costs are low for buyers.
 - **Impact:** The presence of substitutes limits pricing power and can reduce demand for the product.
 5. **Rivalry Among Existing Competitors:**
 - The degree of competition among firms within the industry.
 - Intense rivalry when:
 - Several competitors exist with similar market share.
 - Exit barriers are high, preventing companies from leaving the market.
 - Industry growth is slow or negative.
 - Products are undifferentiated and can be easily substituted.
 - Low customer loyalty exists.
 - **Impact:** Aggressive competition reduces profitability.

Industry Attractiveness:

- **Attractive Industry:**
 - High profits due to:
 - High barriers to entry.
 - Weak bargaining power of suppliers and buyers.
 - Few substitutes.
 - Low competition.
- **Unattractive Industry:**
 - Low profits due to:
 - Low barriers to entry.
 - Strong bargaining power of suppliers and buyers.
 - Many substitutes.
 - Intense competition.

Sixth Force - Complements:

- Complements increase demand for the primary product.
- **Example:**

- Amazon Prime complements Amazon's business, leading to increased sales.
- Jio TV complements Jio Telecom, boosting both businesses' profits.

Strategic Implications:

- Firms use Porter's Five Forces to assess competitive pressures and profitability within an industry.
- A strategic leader must analyze these forces to identify a company's competitive position and formulate a strategy that addresses these pressures.

Porter's Five Forces Model Implementation

Step 1: Gather Information on Each Force

Buyer Power:

- **Factors to consider:** Number of buyers, size of buyers, volume of their orders, cost of switching suppliers, availability of substitutes, price sensitivity, threat of backward integration.

Supplier Power:

- **Factors to consider:** Number of suppliers, size of suppliers, availability of substitute materials, material scarcity, cost of switching suppliers, threat of forward integration by suppliers.

Threat of New Entrants:

- **Factors to consider:** Amount of capital required for entry, retaliation by existing companies, legal barriers (e.g., patents, copyrights), brand reputation, product differentiation, access to suppliers/distributors, economies of scale, government regulation.

Rivalry Among Existing Competitors:

- **Factors to consider:** Number of competitors, cost of leaving the industry, industry growth rate, product differentiation, competitor size, customer loyalty, threat of horizontal integration, advertising expenses.

Threat of Substitutes:

- **Factors to consider:** Number of substitutes, performance of substitutes, cost of switching to substitutes.

Step 2: Analyze Results and Display on a Diagram

- After gathering data, it's important to assess each of these forces and how they impact the specific industry.
- Create a diagram representing the forces' strength in the industry (e.g., strong, moderate, or weak).

Step 3: Formulate Strategies Based on Analysis

- After analyzing the forces, the next step is to craft strategies that leverage the strengths and mitigate weaknesses.
 - **Example:** If it's difficult to achieve economies of scale in a market, pursue a **cost leadership strategy**. If the market growth is slow and saturated, focus on **product differentiation**.

Case Study: Pizza Hut

Competitive Rivalry (Very High):

- Competes with global pizza chains (Domino's, Papa John's) and smaller local restaurants.
- Price discounts, coupons, and product variety intensify competition.
- Close substitutes include supermarkets and ready-to-bake pizzas.

Threat of New Entrants (Low):

- High entry barriers due to existing competition lowering prices and expanding distribution.
- Strong relationships with suppliers and distribution channels.
- Mature technology and brand reputation create challenges for new entrants.

Threat of Substitutes (High):

- Competing fast food chains (sandwich, chicken chains) offer alternatives.
- Local traditional fast food chains like Bikano and Haldiram offer affordable, convenient substitutes.

Power of Customers (Medium/Low):

- Large customer base with low individual bargaining power.
- Price sensitivity is low due to inelastic demand for fast food.
- Customers are less likely to significantly affect product or price decisions.

Power of Suppliers (Low):

- Raw materials like flour, cheese, vegetables are readily available and perishable.
- Large supplier base and low switching costs reduce supplier power.

Apple Inc. in the Marketplace (Five Forces Perspective)

Industry Competition:

- High competition from companies like Google, Samsung, HP, and Amazon.
- Low switching costs for customers, increasing competition.
- Apple counters by continuously innovating and developing new products.

Bargaining Power of Buyers:

- Individual buyers have low bargaining power, but collective market power is strong.
- Apple's strong brand loyalty and product differentiation mitigate buyer power.

Threat of New Entrants:

- High capital and brand recognition required to compete with Apple.
- New entrants face strong competition from established firms like Google and Amazon.

Bargaining Power of Suppliers:

- Weak power due to the large number of suppliers and low switching costs for Apple.
- Apple's size and purchasing power reduce suppliers' leverage.

Threat of Substitutes:

- Low threat from substitutes due to the unique capabilities of Apple products.
- While alternatives exist, none match the full range of features and integration provided by Apple's devices.

Conclusion:

- Porter's Five Forces is an effective tool for analyzing industry competitiveness and profitability.
- Understanding the forces helps firms create strategies that enhance their competitive position, such as focusing on innovation, supplier relationships, and customer loyalty.

CH-3 BUSINESS POLICY AND FORMULATION OF FUNCTIONAL STRATEGY

BUSINESS POLICY – INTRODUCTION

- **Definition:** Business policies are guidelines for organizational actions. They set limits for decision-making and help achieve goals through resource acquisition.
- **Purpose:** Defines scope for decisions, enabling subordinates to solve routine problems without consulting top management.
- **Focus:** Studies roles of top-level management, significant issues, and long-term decisions impacting organizational success.

Features of Business Policy

1. **Specific:** Clear, well-defined to ensure effective implementation.
2. **Clear:** Unambiguous, avoids confusion, and uses simple language.
3. **Reliable & Uniform:** Consistent for efficient adherence.
4. **Appropriate:** Aligns with organizational goals.
5. **Simple:** Easy to understand for all in the organization.
6. **Inclusive/Comprehensive:** Broad in scope to cover wide areas.

- 7. **Flexible:** Adaptable in different situations.
- 8. **Stable:** Consistent, preventing indecisiveness.

Evolution of Business Policy

- **Origins:** Traced back to 1911, Harvard introduced a management course based on case studies.
- **Reports of 1959:** Gordon & Howell report and Pierson report emphasized the inclusion of business policy in curriculums.
- **Mandatory by 1969:** Business policy was made a mandatory course for recognition by the American Assembly of Collegiate Schools of Business.
- **Global Spread:** From the US, the concept spread worldwide.

Evolution Based on Managerial Practices

- **Earlier Techniques:** Day-to-day planning, budgets, capital budgeting.
- **Shift to Long-term Planning:** Evolved to strategic planning, and later, strategic management as a key focus.
- **Role of Entrepreneurs:** Senior management assumed responsibility for business policy formulation.

The Indian Scenario

- **1960s:** Formal management education began with the establishment of IIMs and growth in management education.
- **Adoption of Harvard Model:** IIMs adopted case studies for teaching, expanding to other institutions.
- **Growth in Management Education:** Management education grew, adopting terms like business policy, corporate strategy, and strategic management.

Importance of Business Policy

- **For Management Education:** Business policy integrates knowledge from various management areas and provides a broad perspective.
- **Real-life Business Complexity:** Helps students understand complexities beyond specialized knowledge, enabling decision-making in complex business environments.
- **Perspective on Long-term Benefits:** Focuses on long-term organizational gain over short-term departmental benefits.

For Understanding the Business Environment

- **Policy Formulation:** Business policy helps understand how senior management formulates policies and the complexities involved.
- **Managerial Receptivity:** Managers become more receptive to senior management decisions, simplifying policy implementation.
- **Environmental Changes:** Understanding the link between environmental changes and policy adaptation improves management's role in broader organizational goals.

For Understanding the Organization

- **Framework for Decision-Making:** Provides a foundation for middle management to prepare for general management roles.
- **Case Studies:** Common pedagogical tools illustrating real-life strategic decision-making and implementation.

FRAMEWORK OF STRATEGIC MANAGEMENT

Vision, Mission, Objectives, Goals, and Targets

- These terms are often used interchangeably but have distinct meanings in the corporate world.
- **Vision:** Long-term aspiration, direction for the future.
- **Mission:** Describes current purpose or future intent.
- **Objectives:** Concrete steps to achieve the mission.
- **Goals:** Specific outcomes for achieving objectives.
- **Targets:** Quantifiable metrics to measure goal achievement.

Vision

- **Purpose:** States what an organization wants to achieve in the long run, guiding the future direction.
- **Essence:** A future aspiration, indicating where the organization is heading, often inspiring to be the best in its field.
- **Function:** Serves as a roadmap for the company's growth, inspiring employees and providing a clear sense of direction.
- **Characteristics:**
 - **Concise:** Easy to remember and repeat.
 - **Clear:** Defines a primary goal.
 - **Time Horizon:** Specifies a long-term timeframe.
 - **Future-Oriented:** Focuses on what the company aims to become, not on the current state.
 - **Stable:** Long-term perspective, unaffected by immediate changes.
 - **Challenging:** Sets an ambitious goal that motivates.
 - **Abstract:** General enough to cover diverse interests and directions.
 - **Inspiring:** Motivates and aligns employees towards a shared goal.

Purpose of Vision Statement

1. **Foundation for Strategy:** Forms the base for broader strategic planning.
2. **Employee Motivation & Attraction:** Helps recruit like-minded individuals by clearly stating the company's goals.
3. **Focus & Core Competencies:** Directs efforts towards strategic opportunities that align with the vision, fostering core competencies.
4. **Differentiation from Competitors:** Describes how the company will achieve success (e.g., profitability) rather than just stating goals like "profit."

MISSION

- **Definition:** A mission statement is a permanent expression of an organization's purpose, distinguishing it from others. It identifies the scope of operations in terms of products and markets.
- **Key Components (McGinnis):**
 1. Defines what the organization is and aspires to be.
 2. Should be narrow enough to exclude certain ventures but broad enough for growth.
 3. Must distinguish the organization from others.
 4. Serves as a framework for evaluating current and prospective activities.
 5. Should be clear enough to be widely understood within the organization.
- **Desirable Components:**
 - Defines customers, products/services, markets, technology, philosophy, and self-concept.
 - Clear, relevant, positive, unique, enduring, and adapted to the target audience.

Questions for Crafting a Mission Statement:

1. What is the basic purpose of the organization?
2. What makes the organization unique?
3. How will the business evolve in the next five years?
4. Who are the core customers, and who should they be?
5. What are the principal economic concerns?
6. What are the core values, beliefs, and priorities?

Mission vs. Vision Statement Comparison

Feature	Mission Statement	Vision Statement
Focus	Describes how to achieve the future, defining the purpose and objectives.	Outlines the desired future, describing where the company aims to be.
Answers	"What do we do? What makes us different?"	"Where do we aim to be?"
Time	Focuses on the present, moving toward the future.	Focuses on the future.

Feature	Mission Statement	Vision Statement
Function	Defines broad goals and key measures of success, with an internal audience (team, leadership).	Defines long-term aspirations, inspiring employees to give their best.
Development	Answers "What, for whom, and why?"	Answers "Where do we want to be, when, and how?"
Features of Effective Statement	Clear purpose, values, and client responsibilities.	Memorable, hopeful, achievable, aligns with values and culture.

Mission Statement Characteristics:

- Defines the **purpose** and **values** of the organization.
- Clear, free from ambiguity, and easy to remember.
- Reflects **realistic aspirations**, aligning with organizational culture and values.

Vision and Mission Statements of Various Companies/Organizations

Company	Vision	Mission
State Bank of India	Be the bank of choice for a transforming India.	Committed to providing simple, responsive, and innovative financial solutions.
Tesla	To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.	To accelerate the world's transition to sustainable energy.
Amazon	N/A	We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience.
LinkedIn	To create economic opportunity for every member of the global workforce.	To connect the world's professionals to make them more productive and successful.
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.
Intel	If it's smart and connected, it's best with Intel.	To utilize the power of Moore's Law to bring smart, connected devices to every person on earth.
Toyota USA	To be the most successful and respected car company in America.	To attract and attain customers with high-valued products and services and the most satisfying ownership experience in America.
Sony	Using our unlimited passion for technology, content, and services to deliver groundbreaking new excitement and entertainment, as only Sony can.	A company that inspires and fulfills your curiosity.

Objectives and Goals

- **Objectives:**
 - Long-term or broad company aims.
 - Can also refer to more specific department or individual goals.
 - Should be dynamic and adaptable to environmental changes and organizational strengths and weaknesses.
- **Goals:**

- Defined as intermediate results to be achieved by a specific time as part of a larger plan.
- Specific and closed-ended statements (e.g., increase net sales by 20% in FY 2023-24 over FY 2022-23).

Importance of Objectives:

- Justify the organization.
- Provide direction.
- Basis for Management by Objectives (MBO).
- Aid in Strategic Planning/Management.
- Provide standards for assessment and control.
- Facilitate decentralization.

Objectives vs. Goals

- **Objectives:** Open-ended, derived from mission statement, and generally describe broad intentions (e.g., improve profitability).
- **Goals:** Specific, closed-ended, and measurable targets aimed to achieve the objectives (e.g., increase net sales by 20%).

Hierarchy of Objectives

1. **Mission**
2. **Corporate Objectives**
3. **SBU (Strategic Business Unit) Objectives**
4. **Departmental Objectives**
5. **Individual Objectives**

Process of Formulating Mission and Objectives

1. **Environmental Analysis:**
 - Cross-functional analysis of data helps establish organizational direction in terms of mission and objectives.
 - Data should be collected from all levels of the environment: general, specific, operating, and internal.
2. **Vision and Mission Formulation:**
 - Environmental analysis serves as the foundation for developing the vision and mission.
 - Reflection on the data derived from the environment helps managers to formulate and write the organizational vision and mission.
3. **Organizational Objectives:**
 - Vision and mission guide the formulation of organizational objectives.
 - Objectives should align with the organizational vision and mission.
4. **Specific Targets:**
 - Top management formulates broad objectives, which are translated into specific targets by middle and lower management.
 - These targets help achieve objectives effectively at different levels.

Strategic Levels of the Organization

1. **Corporate Strategy:**
 - **Type of Business to Compete:** Focuses on determining which markets or industries the company will operate in.
 - **Competitive Position:** Identifies the overall competitive approach the organization will take to gain market share.
 - **Resource Development:** Ensures that the company develops the necessary resources, whether human, financial, or technological, to achieve its corporate objectives.
2. **Business Strategy:**
 - **How to Compete in a Particular Market:** Involves choosing competitive methods and strategies within specific markets.
 - **Achieving Competitive Advantage:** Focuses on how to achieve and sustain a competitive edge over rivals.
3. **Functional Strategy:**

- **Action Plans for Functional Areas:** Outlines specific strategies and actions in various departments (e.g., marketing, operations, finance) to support business strategy.

The Relationship among Corporate, Business, and Functional Strategies

Corporate Strategy	Business Strategy	Functional Strategy
What business(es) should we be in?	What competitive methods do we invest in to achieve competitive advantage?	What financial, marketing, operations, and other strategies will be important to implement business strategy?

Corporate Level Strategy

- **Definition:** Corporate strategy is the overarching strategy of the organization. It sets the direction, goals, and growth objectives and determines how resources will be allocated across business units (SBUs). It is the foundation of the strategic planning process.
- **Key Focus:**
 - **Growth Objectives:** Direction, timing, extent, and pace of the company's growth.
 - **Sustainability:** Ensures long-term sustainability of the organization by defining business units, product lines, customer segments, etc.
 - **Resource Allocation:** Determines how resources are acquired and distributed within the organization.
- **Corporate Strategy Characteristics:**
 - **Highest level of decision-making:** Involves decisions that have a company-wide impact, such as mergers, acquisitions, and resource allocations.
 - **Guides business units:** Ensures coordination across SBUs for optimal performance.

Definitions of Corporate Strategy

1. **Andrews (1997):**
 - **Corporate Strategy:** "The pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company pursues, the kind of economic and noneconomic contribution it intends to make for its shareholders, employees, customers, and communities."
2. **Johnson et al. (2009):**
 - **Corporate Strategy:** Describes the choice of markets and products as the first step. It also outlines how a company plans to operate in these markets and with particular products, adding value to different parts (SBUs) of the organization.

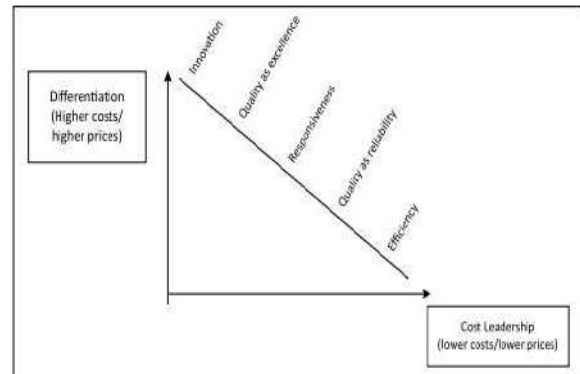
Business-Level Strategy

- **Definition:** Business-level strategy applies to organizations with multiple businesses or divisions, each treated as a **Strategic Business Unit (SBU)**. Each SBU operates in a distinct market, with different customers, competition, and marketing channels. The SBU concept helps in tailoring strategies to specific product/market segments.
- **Objective:** A business strategy is a comprehensive plan that provides objectives for the SBUs, allocates resources among functional areas, and ensures coordination to contribute to corporate-level objectives.
- **Example:** **Reliance Industries Limited** operates in textiles, petrochemicals, and more, requiring separate strategies for each product group to address different market environments.
- **Strategy and Environment:** The SBU sets its strategy based on the environment it faces, making the most of its resources (strategic advantages) and aligning with the corporate-level strategy.

Difference from Corporate Strategy:

- **Corporate Strategy:** Focuses on the broad direction of the organization, such as which businesses to enter.
 - **Business Strategy:** Focuses on how to compete in specific markets or businesses.
- **Michael Porter's Business-Level Strategies (1998):**
 1. **Cost Leadership:** Competing by being the lowest-cost producer in an industry (requires efficient production, cost control, etc.).
 2. **Differentiation:** Offering unique products or services that are valued by customers.
 3. **Focus:** Targeting a specific market segment, using either cost leadership or differentiation within that niche.

Hill and Jones (2007) have developed the curve which connects together the three issues in developing a successful business model.



Competitive Positioning and the Value Creation Frontier (Hill and Jones, 2007, p.160)

- **Brown and Blackmon (2005):** Define business-unit strategy as a decision-making process at the SBU level, focusing on how the SBU supports the organization's goals and how it competes in specific businesses within a diversified corporation.

Functional-Level Strategy

- **Definition:** Functional strategy relates to the strategic decisions within specific functional areas, such as marketing, finance, operations, HR, etc. These are often tactical decisions that are constrained by corporate and business-level strategies.
- **Objective:** A functional strategy defines objectives for specific functions, allocates resources within those functions, and coordinates activities to contribute to SBU and corporate-level goals.
- **Example:** A **marketing strategy** could be divided into sub-strategies like promotion, sales, distribution, and pricing strategies, each contributing to the overall marketing function.

Comparison: Business Strategy vs. Corporate Strategy

Basis for Comparison	Business Strategy	Corporate Strategy
Meaning	Strategy framed by business managers to strengthen performance.	Defined in the mission statement; explains business type and ultimate goal.
Created by	Middle-level management	Top-level management
Nature	Executive and governing	Decisive and legislative
Relates to	Selection of plans to fulfill objectives of a business unit.	Selection of businesses in which the company should compete.
Deals with	Particular business unit or division	Entire business organization
Term	Short-term strategy	Long-term strategy

Basis for Comparison	Business Strategy	Corporate Strategy
Focus	Growth	Competing successfully in the marketplace, maximizing profitability
Approach	Introverted (internal focus)	Extroverted (external focus)
Major Strategies	Differentiation, Cost Leadership, Focus	Expansion, Stability, Retrenchment

FORMULATION OF FUNCTIONAL STRATEGY – FINANCE STRATEGY

Financial Metrics & Goals (*Benchmarked to best-in-industry*)

- Free Cash Flow (FCF)**
 - Indicates **financial soundness**
 - = Operating Cash Flow – Capex – WC ↑
 - Used for: **Future investments**, major Capex, **project continuity**
- Economic Value-Added (EVA)**
 - = Net Income – Cost of Operating Capital
 - Measures **risk-adjusted value add**
 - Used for: **Expansion**, resource allocation, value analysis
- Asset Mgmt**
 - Focus: **Current Assets & Liabilities turnover**, **Working Capital**, **Cash Conversion Cycle**
 - Used when: **Operating performance < benchmarks**
- Financing Decisions & Capital Structure**
 - Optimal **Debt Ratio/Leverage** → Min Cost of Capital
 - Affects: **Reserve Borrowing Capacity**, **Financial Distress Risk**
 - Used when: Co's **cost of capital > competitors**, **low investments**
- Profitability Ratios**
 - Measures: **Op. Efficiency**, relation of profits to **Sales/Assets/Net Worth**
 - Used for: **Value-chain improvements**, correcting inefficiencies
- Growth Indices**
 - Evaluate: **Sales & Mkt Share Growth**
 - Trade-off: Growth ↔ Cash Flow, Margins, ROI
 - Used when: **Growth < industry**, **high op. leverage**
- Risk Assessment & Mgmt**
 - Steps: **ID** → **Measure** → **Control** → **Mitigate Risks**
 - Includes: **Govt, Regulatory, Economic risks**
 - Used when: ↑ **Uncertainty**, need to enhance **risk culture**
- Tax Optimization**
 - Aim: **Minimize tax liability**, after-tax performance
 - Used in: **New projects, acquisitions**, global ops (diff. tax laws)

Balanced Scorecard

- Links **Financial Performance** ↔ **Strategic Goals**
- Provides: **Timely info**, enables **strategic/operational control**
- ↑ Relevance of **Finance in Strategic Planning**

STRATEGIC FINANCIAL MANAGEMENT (SFM)

- Aim: Maximize NPV
- Key: **Capital Allocation** among strategic alternatives
- Involves 3 key financial decisions:

1. Investment Decision

- Concerned with **asset allocation**
- Types:
 - Capital Budgeting**: Long-term inv., benefits > 1 yr
 - Eval: **Profitability, Cost, Risk**
 - Eg: **New unit, Expansion, Reallocation**
 - Short-term Investment** (Working Capital Mgmt)
 - Fund alloc. among **Cash, Receivables, Inventories**
 - Trade-off: **Liquidity vs Profitability**

2. Financing Decision

- Select **sources of funds**
- Aim: **Debt-Equity Balance** → Min Risk, Max Profitability

3. Dividend Decision

- Decide: **Retained Earnings vs Distributed Profits**
- Impact:
 - High Dividend → ↑ **Shareholder Wealth**, ↑ **Mkt Price**

Influences on Financial Strategy

- Factors:
 - Loss of Control**
 - Equity not subscribed**
 - Debt servicing issues**
 - Tax shields**
 - Asset base & Credit rating**

Interrelation of Financial Decisions

- All aim: **Profit & Wealth Maximization**
- Investment needs Financing**
- Financing affected by Dividend Policy**

Ready for next content when you are.

MARKETING STRATEGY – EXAM REVISION NOTES

Definition & Core Idea

- Marketing Strategy**: Long-term, forward-looking plan for **sustainable competitive adv.**
- Uses **firm's strengths** to deliver **better value** than competitors.
- Involves: **Strategic situation analysis** → **market-oriented position** → **firm goals**

Key Definitions

- Kotler & Keller**: Strategy = **Target markets + Value proposition**
- Aaker & Mills**: Strategy = **Directional path**
- Porter**: Strategy = **How to compete + Goals + Policies**

Strategic Marketing – 3 W's

- Which** mkt's to compete in
- What** is firm's **competitive basis**
- When** to compete

Strategic Mkt Planning & Strategic Gap

- Plan for **3–10 yrs**, do **360° review** (firm + environment)
- Find:
 - Opportunities** → leverage for **competitive adv.**
 - Threats** → long-term sustainability
- Strategic Gap** = Where firm is vs where it should be

Market Position Strategies

- Market Leader**
 - High mkt share**, focus on **brand image, barriers to entry**
 - Tactics: **Proliferation, Diversification, Multi-branding, Integration, Acquisitions**
- Market Challenger**
 - 2nd in mkt, **offensive posture**

- Competes “neck to neck” with leader
 - Focus: **Innovation (product/packaging/service), new mkts**
- Market Follower**
 - Passive, “me-too” approach
 - Avoid R&D, focus on **cost ctrl, steady profit, retain customers**
 - Market Nicher**
 - Focus: **Small segment**, avoid head-on competition
 - Strategy: **Customer loyalty, value for money, service quality, cross-selling, relationships**

Consistency & Resource Allocation

- Must align with **Mission Statement**
- Tools:
 - **Marketing Mix Modeling** → allocate scarce resources
 - **Performance, Customer, Competitor, Target Mkt Analysis**

Market Entry Strategies (Lieberman & Montgomery)

- Pioneers**
 - **First-mover adv.** via:
 - **Tech Leadership**
 - **Pre-emption of Assets**
 - **Buyer Switching Costs**
 - Adv: **Early mkt share**
 - Disadv: **High cost**
- Close Followers**
 - Enter if **profit potential**
 - High **R&D** → develop **own USP**
 - Target **diff. audience** than pioneer
- Late Entrants**
 - Learn from earlier players → **improve benefit/reduce cost**
 - Can **gain share** if **mkt mix & performance strong**
 - Use: **Product imitation, cost adv., respond to evolving needs**

Segmentation & Custom Marketing Mix

- Each **customer mkt = unique** → may need **custom mix**
- If **multiple segments viable** → design **specific mixes** for each

FORMULATION OF HUMAN RESOURCE (HR) STRATEGIES – EXAM REVISION NOTES

HR Planning – Core Idea

- Aligns **HR needs** with **org. goals**
- Responds to:
 - **Ageing workforce** (West)
 - **Skilled labour demand** (Developing economies)
- Link b/w **HRM & Strategic Plan**

Definitions

- **Bulla & Scott**: Identifying **HR requirements** + planning to meet them
- **Reilly**: Estimating **labour demand** + evaluating **supply**

HR Planning – Key Focus Areas

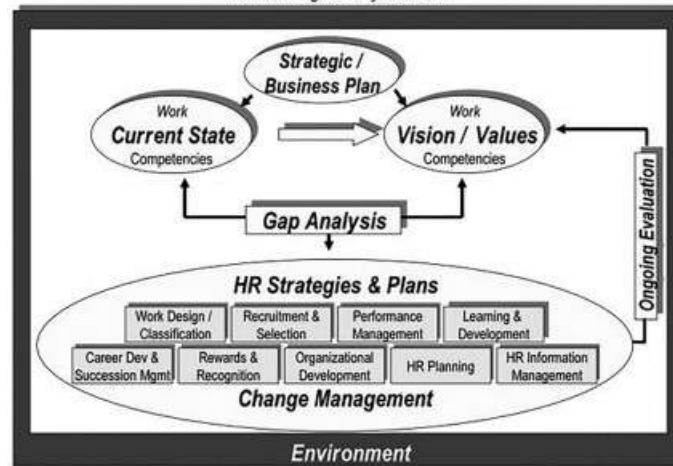
- **Employer Brand**
- **Retention Strategy**
- **Absence Mgmt**
- **Flexibility Strategy**
- **Talent Mgmt**
- **Recruitment & Selection**

Objectives of HR Planning

- Achieve **best fit** b/w jobs & employees
- Avoid **shortages/surpluses**

- Key Steps:
 1. **Forecast Labour Demand**
 2. **Analyse Current Labour Supply**
 3. **Balance Demand-Supply**

Human Resource Systems Group
HR Planning & Analysis Model



HR Strategy Implementation Steps

- Assess Current HR Capacity**
 - Audit current **skills & roles**
 - Use data for **future need forecasting**
- Forecast Future HR Requirements**
 - Based on **strategic goals** & existing skill sets
 - Ask:
 - What **positions** need filling?
 - How many staff?
 - External factors affecting HR supply?
- Gap Analysis**
 - Compare **current vs desired** HR state
 - Review & revise **HR practices** if needed
- Develop HR Strategies**
 - Restructuring Strategy**
 - **Staff reduction, job redesign, team re-org**
 - Training & Development Strategy**
 - Upskill current staff for **new roles**
 - Recruitment Strategy**
 - Hire for **future-required skills**
 - Outsourcing Strategy**
 - Delegate tasks to **external providers**
 - Collaboration Strategy**
 - Partner with others to **gain new skills/knowledge**

Retention Strategy – Key Practices

- ✓ **Onboarding & Orientation**
 - Teach job + **culture**, ensure **integration**
- ✓ **Mentorship Programs**
 - Pair **new hires** with **senior mentors**
- ✓ **Employee Compensation**
 - Offer **competitive packages**: pay, bonus, health, PTO, retirement, perks
- ✓ **Recognition & Rewards**
 - Appreciate **extra effort**, incentivize **innovation**
- ✓ **Work-Life Balance**
 - Offer **flexible schedules, telecommuting**
- ✓ **Training & Dev.**
 - Pay for **conferences, education, skill growth**
- ✓ **Communication & Feedback**
 - Keep **2-way communication** open
- ✓ **Dealing with Change**
 - Share changes **early**, maintain **employee trust**
- ✓ **Fostering Teamwork**

- Set clear goals/roles, encourage collaboration
- ✓ Team Celebrations
 - Celebrate milestones, achievements (personal & team)

FORMULATION OF PRODUCTION STRATEGY – EXAM REVISION NOTES

Three Categories of Production Strategies

A. Business Strategies

1. Differentiation Strategy
2. Cost Leadership Strategy
3. Market Segmentation Strategy

B. Competitive Priorities

1. Price/Cost Strategy
2. Quality Strategy
3. Delivery Strategy
4. Product Mix/Flexibility Strategy
5. Service Strategy
6. Eco-friendly Products Strategy

C. Competitive Advantages

1. Flexible Response Strategy
2. Low Cost Strategy

Strategy-wise Breakdown

1. Differentiation Strategy

- Make product unique/distinct from competitors
- Differentiation via quality, design, features, pricing, after-sales
- Aim: Premium pricing through uniqueness

2. Cost Leadership Strategy

- Achieve lowest cost via:
 - Large-scale prod.
 - Economies of scale
 - Lower unit cost: raw materials, labour, ads, R&D
- Sell at lower price or enjoy higher margin

3. Market Segmentation Strategy / Focus Strategy

- Divide mkt by customer type
- Tailor products to segment needs
- Ex: Detergents in multiple price ranges

4. Price or Cost Strategy

- Product = homogeneous, no differentiation
- Compete via low price
- Aim: Market share in price-sensitive markets (e.g. matchsticks)

5. Quality Strategy

- Offer premium products at high prices
- Targets status-conscious high-income buyers
- Requires R&D, innovation, zero-defect focus

6. Delivery Strategy

- Ensure fast & reliable delivery
- Aim: Reduce delay, tackle scarcity
- Use as a competitive edge in time-sensitive mkt

7. Product Mix / Flexibility Strategy

- Offer multiple products (Product Portfolio)
- Diversification = risk mgmt + higher mkt penetration
- Used by large-scale firms (e.g., HUL, P&G)

8. Service Strategy

- Offer 24x7 service, especially after-sales
- Service via in-house teams or call centers
- Relevant for both consumer & industrial goods

9. Eco-friendly Products Strategy

- Produce green products
 - E.g. lead-free petrol, mercury-free TVs
- Use recycled/biodegradable packaging
- Aims: Reduce pollution, resource conservation
- Marketed via sustainability branding

10. Flexible Response Strategy

- Adapt production to market changes
- Emphasis on speed, reliability, availability

- Maintain regular supply, avoid shortages
- Needs strict production schedules

11. Low Cost Strategy

- Compete by offering lowest price + maintaining quality
- Achieved via:
 - Large-scale production
 - Low cost of distribution
- Must retain acceptable quality despite low price

FORMULATION OF LOGISTICS STRATEGY – EXAM REVISION NOTES

Definition

- **Logistics Strategy:** Set of guiding principles, driving forces, and attitudes aligning goals, plans, policies across supply chain partners.
- Goes beyond transport & warehousing – involves long-term capabilities to support product-market fit.

Levels of Logistics Strategy

1. Strategic Level

- Aligns with firm's high-level objectives.
- **Customer Service Strategy** is the core driver.
 - Based on: Products, Markets, Customer expectations.

2. Structural & Functional Levels

- Interplay b/w long-term structure and day-to-day functions.
- Structural = Network Design
- Functional = Ops like Warehouse, Transport, Material Mgt

Key Components:

- **Channel Design:** Defines activities/functions for customer service
- **Network Strategy:** Locations, missions, usage of facilities

3. Implementation Phase

- Integration of People + Processes + IT
- Execution of logistics vision
- Considered most critical and challenging phase

8 Elements of Logistics Strategy Plan

1. Customer Service Policy

- Service levels per product/market segment
- Covers order fulfilment, info systems, support
- Guides supply network nodes & links

2. Inventory Location Policy

- Centralized vs Decentralized stocking
- Placement by stock type, technology, ownership (in-house/outsourced)

3. Inventory Policy

- Inventory type & function at each site
- Link inbound ↔ outbound stock flow

4. Cost Plan

- Analyze cost-service trade-offs
- Optimize logistics operating costs

5. Transport & Distribution Policy

- Based on imports/exports, urban structures
- Involves: Modes, routes, delivery patterns

6. IT & Communication Capability

- In-house dev vs external software
- Strategy: Integrated vs Best-of-Breed systems

7. Logistics Org Structure

- Flow/function-based
- Team roles, authority, self-managed vs managed

8. Targets & Metrics

- KPIs: Performance, Goal achievement
- Drives process improvement

CASE STUDIES: Digital Marketing Strategy for Business Success

1. Mint – Fintech Disruption via Digital Strategy

- **Initial challenge:** Build **trust** to share sensitive bank data
- **Goal:** Lead generation via **freemium model**
- **Key Strategies:**
 - **Content Marketing (MintLife Blog):** Finance advice for **millennials**
 - **Social Media Engagement:** Free giveaways, brand collabs, 2-way interaction
 - **Explainer Videos:** Educated users on **need & value** of financial tools
- **Result:** Acquired by Intuit for **\$170M** with **20M+** users

2. Dropbox – Hyper Growth via Viral Online Marketing

- Grew from **1M** to **500M** users (2009–16)
- **Dual market:** B2C users → convert into B2B paid users
- **Key Strategies:**
 - **Clear Landing Page:** Simple CTA for free trial
 - **Referral Incentives:** Free storage for inviting others
 - **Brand Positioning:** Promoted as **value-driven utility**
- **Result:** Became one of the **most valued SaaS firms**

Here's a **concise bullet-point summary** of the last three **digital marketing case studies** you shared, with focus on key strategies and takeaways, using abbreviations and formatting suited for quick revision:

3. Golden Heart Senior Care – Rep Mgt to Build Trust

Objective: Build trust & reputation in personal care services.

- **Challenge:** High reliance on **reviews/testimonials** in personal services.
- **Key Strategies:**
 - **Online Reviews:** Curated + encouraged **positive reviews**, responded to **negatives**, improved **SEO** visibility.
 - **Content Mktg:** Original + curated info on **senior care**, built authority & provided value.
 - **Social Media Engagement:** Direct interactions with prospects, addressed concerns, humanized brand.

Outcome: Ranked highly across review platforms, built a **trusted reputation** in a niche local market.

4. First Fruit Wellness Center – Social Media for Lead Gen

Objective: Drive footfall via **1-on-1 social media engagement**.

- **Challenge:** Create demand for wellness services; convert interest into **visits**.
- **Key Strategies:**
 - **Content Mktg:** Shared original + curated health content, built audience base.
 - **Direct Interaction:** Asked followers about **health goals**, personalized responses.
 - **Lead Conversion:** Encouraged followers to **visit the center**, turning engagement into **physical leads**.

Outcome: Expanded to 3 locations; **lost momentum** post-campaign halt — showing **SM needs continuity**.

5. Roofstock – Multi-Channel Disruption in Real Estate

Objective: Gain trust & scale awareness for **remote property investment**.

- **Challenge:** Convince users to buy real estate **sight unseen**.
- **Key Strategies:**
 - **Press & PR:** Featured in **Forbes, BI, etc.** to gain investor trust.
 - **Reputation Mgt:** Ensured **positive reviews** appeared top in search results.
 - **Paid Ads:** Targeted investor communities (e.g., **Reddit**) for **high-ROI leads**.

Outcome: Positioned as a **disruptive & credible** player in online property investing.

CH-4 STRATEGIC ANALYSIS AND PLANNING

Here's a **concise bullet-point revision** of the content on **Strategic Analysis, Situation Analysis, SWOT/TOWS**, and the **SWOT case studies (Amazon & Coca-Cola)**, following your format — exam-oriented, direct, with minimal grammar and bolded keywords:

STRATEGIC ANALYSIS & PLANNING

- Done by **top mgmt** to decide **goals, strategies, resource allocation**.
- Based on org's **vision, mission, obj, resources, + int/ext env. analysis**.
- Models used for analysis → help set **direction, policies & execution plans**.

SITUATION ANALYSIS

- Must be done **before** developing any **strategy/program**.
- Must be done **periodically** to stay updated.
- **Focus** on 4 areas:
 - **Problem** – severity, cause.
 - **People** – stakeholders.
 - **Context** – broad setting.
 - **Facilitators** – behavior drivers.

Purpose:

- Understand **internal/external env**.
- Identify **customers, competitors, strengths/weaknesses, threats, opp**.

Need:

- Helps in **priority setting, realism, & effective planning**.
- Success of plan depends on **quality** of situation analysis.

Suitability:

- Done by **cross-functional team**.
- Involve **stakeholders**: interviews, FGDs, meetings, workshops.

When: Start of any **project/program**, before strategy creation.

ELEMENTS OF SITUATION ANALYSIS

1. **Product Sit.** – Core & ancillary products, meet **consumer needs**.
2. **Competitive Sit.** – Identify rivals, compare **competencies**, know their customer segments.
3. **Distribution Sit.** – Review **logistics & delivery networks**.
4. **Env. Factors** – Analyze **int/ext** factors (econ, social, etc.).
5. **Opportunity/Issue Analysis** – SWOT = **Strengths, Weaknesses, Opp., Threats**.

EFFECTIVENESS CHECK – KEY QUESTIONS

- Simple & practical?
- Clear to outsiders?
- Covers key internal + external factors?
- Shows future **goals**?

SWOT / TOWS ANALYSIS

- **SWOT** = Strategic tool to analyze **int (S, W) + ext (O, T)** factors.
- **S** – Internal assets/resources.
- **W** – Internal gaps/limitations.
- **O** – Market trends & chances.
- **T** – External risks/barriers.
- Rooted in **Force Field Analysis** (K. Levin, 1950s).

TOWS = Rearrangement of SWOT → links **external threats/opps** to **internal strengths/weaknesses** to build strategy.

SWOT CASE STUDY: AMAZON

Strengths:

- Strong **brand identity & CX**.
- **First mover** in online retail.

- Lean **cost structure** = low price edge.
- Continuous **diversification** (AWS, logistics, media).

Weaknesses:

- **Thin profit margins** = risky.
- High **seasonality** (Q4 peaks).

Opportunities:

- Grow own brands.
- Int'l expansion via **local sites**.
- **Affiliate collab.** to scale further.

Threats:

- Profit dip risk.
- **Patent litigation**, market **barriers**.
- **Cybersecurity issues**.

Recent Dev.:

- Transformed into **tech giant** (cloud, AI, media).
- **Prime ecosystem** = core driver (flywheel effect).

SWOT CASE STUDY: COCA-COLA

Strengths:

- Strong **global presence** (650+ regions).
- Brand history & **market leadership**.
- Diversified product portfolio.

Weaknesses:

- Weak **strategic integration**.
- Fewer **new product innovations**.
- Declining **brand loyalty**.
- **Missed opps** in mkt dev.

Opportunities:

- **Sponsorship** (Olympics, WC) = global ad reach.
- Enter **rural China**, US film market.

Threats:

1. Strong **Pepsi rivalry**.
2. Gen Z less inclined to sugary drinks.
3. Seen as **unhealthy** beverage.

Here's a **concise, exam-ready bullet-point revision** of the Skoda SWOT Analysis case study, using your preferred style:

◆ Introduction

- Founded **1895**, Czechoslovakia by **Laurin & Klement** → became **Skoda (1925)**
- Products: **cycles, cars, planes, farm tools**
- Survived: **war, depression, political shifts**
- **1990**: Sought **foreign partner** → chose **Volkswagen AG (VAG)** for **strength, quality, reliability**
- VAG = Brands: **VW, Audi, Skoda, SEAT, Bentley, Bugatti, Lamborghini**
- Skoda UK: Sells via **independent franchised dealers**
- Used **strategic audits** (int. & ext.) → SWOT → form new **brand positioning** for growth

◆ SWOT Analysis

☑ Strengths

- **Customer satisfaction** focus > mere sales
- Top 5 in **JD Power Survey** for **13+ years**
- **Top Gear 2007**: #1 car maker
- **Octavia** won 2008 Auto Express Driver Power 'Best Car'
- **98%** of owners would recommend Skoda
- Strategic choice: focus on **owner experience** → strong **brand loyalty**
- Image: **quality product + happy customers**

✗ Weaknesses

- **Low mkt share**: Only **1.7%**
- Outdated **brand perception** (Eastern European = low quality)
- Despite VAG ownership, 2006 brand health check → image still **weak/neutral** vs. Ford, Peugeot, Renault

- Promotion: Was defensive ("not bad"), needed to shift to **positive messaging**
- Skoda needed to define what it **stood for**, not just **what it wasn't**

🔑 Opportunities

- **Competitors** focused on: tech (**Audi**), performance (**BMW**)
- Skoda customers showed **more affection** than Renault/Ford owners
- SWOT → helped identify chance to **differentiate**:
 - Focus = **customer happiness**, not tech/performance
 - Built a **USP**: "Happy drivers"
- New **brand strategy** targeted emotional connection vs. just specs

☐ Threats

- **Highly crowded mkt**: 50+ car makers, 200 models, 2,000+ derivatives in UK
- Risk: Getting **overlooked** → needed **strong comms + competitive range**
- Models positioned for **specific segments**:
 - **Fabia** = budget city car
 - **Octavia Estate** = family + space
 - **Superb** = luxury
- **Pricing**: competitive to stay relevant
- Responded to **enviro regulations**:
 - Easy recycling (marked parts)
 - **Lead-free**, water-based paint
 - Fuel-efficiency, low emissions, better sound
 - **Aerodynamics + lightweight parts** → less fuel

◆ SWOT Outcomes

- Findings:
 - Owners = **happy**
 - Brand no longer viewed as **inferior**
 - BUT still **niche** → needs **mainstream appeal**
- Required **new mktg strategy** to change perception

◆ Unique Selling Proposition (USP)

- Slogan: "**Manufacturer of happy drivers**"
- Marketing shift:
 - Emotional '**happiness**' appeal > rational appeal
 - **Fabia Cake** ad: "Full of lovely stuff", "Favourite Things" music
 - Revamped, **fun website** for young users → "Experience Skoda happiness online"
 - Online test drives + brochures = boost engagement
- Targeting **feel-good ownership** vs. **tech/performance USP** of others

Here's a **concise bullet-point summary** of the **TOWS Matrix theory and strategies**—perfect for quick reference and exam revision:

🔄 TOWS vs. SWOT

- **TOWS**: Focuses **first** on **external** env. (Threats, Opportunities), then internal (Weaknesses, Strengths).
- **SWOT**: Starts with internal (S/W) and aligns them with external (O/T) factors.
- TOWS = **Strategy Generation** tool | SWOT = **Audit & Analysis** tool.
- TOWS better for **decision-making & brainstorming** strategy options (Watkins, HBR).

☐ Purpose & Users

- **Who can use**: orgs (all lvls), depts, teams, indiv. employees.
- **Why use**:
 - Identify & match **internal S/W** with **external O/T**
 - Generate strategic options using structured framework

- More **informed decisions** by scanning external env. first

🔗 TOWS Matrix Structure

- S = Internal Strengths
- W = Internal Weaknesses
- O = External Opportunities
- T = External Threats

🔗 4 TOWS Strategies (Internal x External Trade-off)

Strategy Type	Focus	Goal	Example Actions
SO (Maxi-Maxi)	Strengths + Opp.	Use S to exploit O	Expansion, M&A, brand leverage
WO (Mini-Maxi)	Weaknesses + Opp.	Reduce W, exploit O	Training, new product dev.
ST (Maxi-Mini)	Strengths + Threats	Use S to minimize T	Innovation, cost control
WT (Mini-Mini)	Weaknesses + Threats	Minimize W & avoid T	Exit, divestment, retrenchment

✔ Strategy Types Explained

✔ Aggressive Strategy (SO / Maxi-Maxi)

- **High internal S + many O**
- **Growth & expansion** focused
- Actions: enter new markets, M&A, resource focus, brand capitalisation

○ Conservative Strategy (ST / Maxi-Mini)

- **Strong internals**, but facing T
- Use S to **counteract T**
- Actions: cost reduction, market segmentation, product/tech improvements

□ Competitive Strategy (WO / Mini-Maxi)

- **Weak internals**, but O exist
- **Fix W**, exploit O
- Actions: invest in R&D, hire talent, improve offerings, reduce costs

□ Defensive Strategy (WT / Mini-Mini)

- **Weak org, hostile env.**
- Focus: **survival** or **exit**
- Actions: withdrawal, cost-cutting, reduce operations, potential merger

Here's a **structured, bullet-style summary of the TOWS Matrices** for **Apple Inc.**, **Nike**, and **PepsiCo** based on your case study — streamlined for quick revision:

🍏 Apple Inc. - TOWS Matrix

◆ Strengths (S)

- Mkt leader in tech
- Strong brand image
- Financially robust
- Advanced supply chain
- High profit margins
- Loyal customer base

◆ Weaknesses (W)

- High pricing
- Limited product range
- Poor cross-brand compatibility

□ Opportunities (O)

- Demand for gadgets rising
- Room for product diversification

● Threats (T)

- Intense competition
- Input cost hikes

▶ SO (Maxi-Maxi)

- Leverage brand to diversify
- Add **cross-brand compatibility**

▶ WO (Mini-Maxi)

- **Lower pricing** to reach new segments
- Launch **new tailored products**

▶ ST (Maxi-Mini)

- Use **cost control** to beat rivals
- Cultural innovation for market dominance

▶ WT (Mini-Mini)

- Use **efficient supply chain** to cut costs
- Launch **competitive pricing models**

👟 Nike - TOWS Matrix

◆ Strengths (S)

- Global brand image
- Marketing excellence
- Strong financials
- Worldwide presence
- Efficient supply chain

◆ Weaknesses (W)

- Over-reliance on US market
- High marketing & overhead expenses

□ Opportunities (O)

- Digitization & innovation
- M&A
- Int'l expansion
- Backward integration

● Threats (T)

- Strong USD = less earnings
- High competition
- Rising HR & marketing costs
- Legal compliance pressure

▶ SO (Maxi-Maxi)

- Invest in **digitization & innovation**
- Expand in **Asia**
- Tighten **supply chain control**

▶ WO (Mini-Maxi)

- **Reduce US dependency**
- Control **operational costs**

▶ ST (Maxi-Mini)

- Use **R&D + marketing** to fight comp.
- Strengthen **compliance systems**

▶ WT (Mini-Mini)

- Boost **marketing** to build brand faster
- Strengthen **internal controls**

🥤 PepsiCo - TOWS Matrix

◆ Strengths (S)

- Global brand + rep
- Product & biz **diversification**
- Strong QC system (lab testing in Tokyo)
- **Celebrity endorsements**
- Strong advertising + social campaigns

◆ Weaknesses (W)

- Overpowering taste (perception)
- **Counterfeit/imitation** complaints
- Weak rural outreach
- High ops costs, HR issues
- No presence in **garments**, missed synergy

□ Opportunities (O)

- Expand **rural market**
- **Garment/merch line**
- Digital promos (banner ads, keywords)
- **Concerts, events** to build brand
- Show QC scores on labels

● Threats (T)

- Price-sensitive mkt (esp vs Coke)
- Limited product variety in Asia
- Rising **non-carbonated drinks**
- **Political risk** (MNC exposure)
- **Tech threats** (hacking, downtime)

▶ SO (Maxi-Maxi)

- Use **tech & QC** strength for trust
- Promote via **internet, concerts**
- Leverage brand diversity across verticals

▶ WO (Mini-Maxi)

- Expand **rural presence**
- Enter **garment** space for brand merch
- **Improve cashflow mgmt & cost audits**

▶ ST (Maxi-Mini)

- Use brand & pricing to fight **Coke**
- Localize product mix by region
- Invest in **IT security & innovation**

▶ WT (Mini-Mini)

- Improve **taste perception**
- Crackdown on **imitation products**
- Manage size conflicts + improve brand trust

Here's a **concise bullet point summary** of the entire PERT & CPM content, perfectly tailored for quick **exam revision** or concept **recap**:

✔ PERT & CPM – Project Mgt Techniques

◆ Common Purpose

- Network-based **project scheduling & control** tools.
- Help in **planning, scheduling, executing, monitoring & controlling** large-scale projects.
- Identify **critical path** – activities with **zero slack** (must stay on time).

★ PERT (Program Evaluation Review Technique)

- Developed by: **US Navy** for Polaris project (1950s).
- **Used for**: R&D, space, defense, film, IT, etc.
- **Focus**: **Time planning** (Event-oriented).
- **Model**: **Probabilistic** – 3 time estimates:
 - Optimistic
 - Pessimistic
 - Most likely
- **Best for**: **Uncertain, non-repetitive** activities.

✔ PERT Advantages

- Forces detailed planning & **dependency identification**.
- **Graphical view** aids clarity.
- Forecasts **schedule impacts** early.
- High objectivity with **3-way time estimates**.
- Improves **cross-department coordination**.

✗ PERT Limitations

- Time/resource estimates often **assumption-based**.
- **Higher costs** vs traditional planning.
- Not apt for **simple/repetitive** tasks (e.g., assembly lines).

★ CPM (Critical Path Method)

- Developed by: **DuPont & Remington Rand** (1950s).
- **Used for**: construction, shipbuilding, infrastructure.
- **Focus**: **Time-cost trade-off** (Activity-oriented).
- **Model**: **Deterministic** – single time estimate.
- Emphasis on **longest path** (critical path).
- **Best for**: **Well-defined, repetitive** activities.

✔ CPM Utility

- Identifies:
 - Parallel activities
 - Shortest time to finish

- Task sequences & dependencies
- Helps allocate **resources** optimally.
- Highlights **bottlenecks** and task **priorities**.

III Comparison: PERT vs CPM

Basis	PERT	CPM
Purpose	Planning & control of time	Control of time & cost
Orientation	Event-oriented	Activity-oriented
Model	Probabilistic	Deterministic
Developed for	R&D projects	Construction projects
Activity Nature	Unpredictable	Predictable
Time Estimate	High precision (3-way)	Reasonable (single estimate)
Differentiates Critical Path?	✗ No	✔ Yes
Best Suited For	Non-repetitive jobs	Repetitive jobs

IV PERT/CPM Steps (Common)

1. **List all activities** & break into smaller jobs.
2. Identify **precedence** (which job depends on which).
3. Create **network diagram** (project/arrow graph).
4. Calculate:
 - Earliest start/finish
 - Latest start/finish
 - Slack & critical path

Advantages of PERT

- **Detailed Planning**: Forces critical, end-to-end planning with factor analysis.
- **Schedule Forecasting**: Identifies **trouble spots** early → allows **preventive/corrective actions**.
- **Graphical Clarity**: Complex data shown **precisely** via **network diagrams**.
- **Objective Time Estimation**: Uses **3-point estimate** → better accuracy under **uncertainty**.
- **Improved Communication**: Enhances coordination among **designers, contractors, managers**; highlights **priority areas**.

Limitations of PERT

- **Assumption-Based**: Time/resources uncertain due to **hypothetical inputs**.
- **High Cost & Complexity**: Requires **skilled planning**, more **time, manpower** → costlier than traditional methods.
- **Unsuitable for Routine Work**: Not fit for **simple, repetitive, or fixed-sequence jobs** (e.g., assembly line).

IV Example (Budget Prep Project)

Job ID	Task	Dept	Duration
a (1→2)	Forecast sales units	Sales	14 days
b (2→4)	Price estimates	Sales	10 days
c (2→3)	Prod. schedules	Prod	7 days
d (3→4)	Costing	Accounts	10 days
e (4→5)	Final budget	Budget	10 days

🕒 **Total Time: 45 days**

Want me to convert this into a visual **revision flashcard** format or diagram (e.g., project graph or network for the example)?

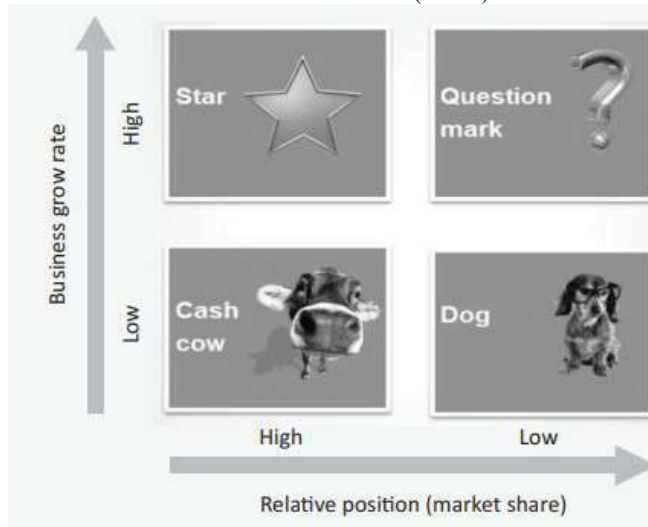
Here's your **quick revision** version of the **Portfolio Analysis** and **BCG Matrix** content in **bullet format** with focus on **keywords**, concepts, and exam-ready terminology:

◆ Portfolio Analysis – Overview

- Most firms offer **multiple products** forming a **product portfolio**.
- Analysis of portfolio reveals **strengths/weaknesses**, internal capabilities, & market competitiveness.
- First proposed by **Peter Drucker (1973)** – classified products as:
 - **Strengths:** Today's, Tomorrow's, Yesterday's Breadwinners
 - **Weaknesses:** Investments in Managerial Ego, Failures
 - **Others:** Developments, Sleepers

◆ BCG Matrix (Boston Consulting Group)

- Created by **Bruce Henderson, 1970**
- Tool for **business portfolio analysis**, mainly for **multi-category/product companies**
- Evaluates each product on 2 dimensions:
 - **Market Growth Rate (Y-axis)**
 - **Relative Market Share (X-axis)**



□ 1. Cash Cows

- **High Market Share, Low Growth**
- Generate **stable high cash flow**, minimal investment needed
- Used to **fund Stars/Question Marks**
- **Strategy:** Hold, Harvest (loyalty programs, customer retention)

□ 2. Stars

- **High Market Share, High Growth**
- **Potential to become Cash Cows**
- Need **heavy investment** to retain position
- **Strategy:** Build (aggressive marketing, advertising)

□ 3. Question Marks

- **Low Market Share, High Growth**
- Uncertain future – may turn into **Star or Dog**
- Require **heavy investment** with **high risk**
- **Strategy:** Build (acquisition campaigns, market research)

□ 4. Dogs

- **Low Market Share, Low Growth**
- Offer **little/no profit**, cash trap
- Considered **divestment candidates**
- **Strategy:** Divest (or revamp if viable)

🌀 BCG Matrix Sequences

- **Success Sequence:** Question Mark → Star → Cash Cow
- **Disaster Sequence:** Star → Question Mark → Dog → Divest

📋 Steps to Construct BCG Matrix

1. **Choose Unit** (SBU/product/brand)
2. **Define Market** (avoid misclassification)
3. **Calculate Rel. Market Share**
= Firm's share ÷ Largest competitor's share
(X-axis: high → low left to right)
4. **Determine Market Growth Rate**
(Y-axis: midpoint = 10% or industry standard)
5. **Plot Circles**
 - Each product = one circle
 - Circle size = revenue contribution

🌀 Strategies Based on BCG Matrix

1. **Build** – Invest to boost share (esp. Question Mark → Star)
2. **Hold** – Maintain position (typically Stars)
3. **Harvest** – Maximize cash flow (Cash Cows)
4. **Divest** – Remove underperformers (Dogs)

Here's your **BCG Matrix**-related content rewritten into **exam-style bullet points** for **quick revision**, using your preferred style — **concise, technical, abbreviated, and highlighting keywords**:

◆ BCG Matrix – Core Concept

- **Developed by:** Boston Consulting Group (Bruce Henderson, 1970)
- **Purpose:** Analyze **product portfolio** → identify where to **invest, harvest, divest**
- **Axes:**
 - **X-axis: Relative Mkt Share** (Comp. strength)
 - **Y-axis: Mkt Growth Rate** (Mkt attractiveness)
- **Matrix Quadrants:**
 1. **Stars:** High growth + High share → invest heavily
 2. **Cash Cows:** Low growth + High share → harvest cash
 3. **Question Marks:** High growth + Low share → build or divest
 4. **Dogs:** Low growth + Low share → divest/exit

◆ Strategic Implications

- **Cash Cows:**
 - Need minimal investment
 - **Stable**, generate **high cash**
 - Fund **Stars & QMs**
 - **Strat: Hold / Harvest**
- **Stars:**
 - Need **high investmt** to maintain position
 - Can become **Cash Cows**
 - **Strat: Build**
- **Question Marks:**
 - High **potential** or risk
 - **Cash intensive**
 - Could become **Stars** or **Dogs**
 - **Strat: Build** or **Divest**
- **Dogs:**
 - Low cash gen. + low need for investmt
 - Often **loss-making**
 - **Strat: Divest** / occasionally **Revamp**

◆ Success & Disaster Sequences

- **Success Seq.:** QMs → Stars → Cows → max profitability
- **Disaster Seq.:** Stars → QMs → Dogs → leads to losses

◆ BCG Matrix Steps

1. **Choose Unit** (SBU/Brand/Product)
2. **Define Mkt** (must be precise; avoid broad mkt assumptions)
3. **Calc. Rel. Mkt Share** = Firm's share / Largest comp's share

4. **Calc. Mkt Growth Rate** (typically $\geq 10\%$ = high)
5. **Plot Circles** (circle size = revenue contrib.)

◆ 4 Portfolio Strategies

1. **Build:** \uparrow invstmt to \uparrow share (QM \rightarrow Star)
2. **Hold:** maintain current position (Star held as Star)
3. **Harvest:** \downarrow invstmt, max cash flow (Cash Cow strat)
4. **Divest:** exit & release tied-up funds (Dog strat)

◆ BCG Matrix – Legacy Use

- Popular with **Fortune 500** (late 1970s–1980s)
- Enabled **cash reallocation** from Cows \rightarrow Stars/QMs
- Balances **exploration (Stars/QMs) & exploitation (Cows)**

◆ Criticism of BCG Matrix

- Assumes high share = \uparrow cash gen. (not always true)
- Ignores **SBU interdependencies**
- Overlooks **niche mkts** (e.g., scooter tyre case)
- Not all SBUs pass thru 4 quadrants
- Other factors (profitability, comp. edge) not considered
- Assumes **equal axis weight**
- Doesn't consider **competition dynamics**
- **Oversimplifies** complex realities
- Market definitions can skew results

◆ BCG Matrix 2.0 (2014 Update)

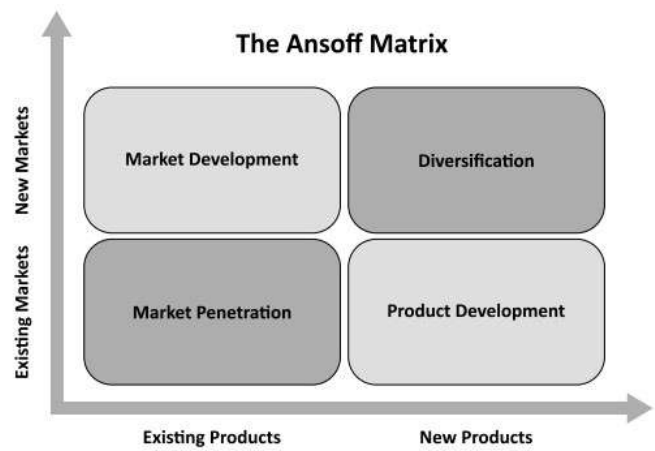
- Acknowledges **modern unpredictability**
- Recommends “**strategic experimentation**”
- Suggests new horizontal axis (**beyond Mkt Share**)
- Imperatives:
 - Invest in more **QMs**
 - **Cash out Stars**
 - **Retire Cows**
 - **Leverage info value** from **Pets (Dogs)**
- **Example: Google**
 - Portfolio: AdWords, AdSense, Android, etc.
 - Portfolio mgmt = embedded strategic experimentation

◆ Samsung – BCG Matrix Case

- **Conglomerate** with multiple SBUs (Phones, TVs, Home appliances, Chemicals, Insurance)
- **Diversified portfolio = risk mitigation**
- Use of BCG Matrix to:
 - Identify where to **invest/divest**
 - **Allocate capital** efficiently across SBUs
- **Relative Mkt Share:**
 - E.g., Samsung 20%, Apple 60% \rightarrow 0.33 (weak position)
 - 1.0 = strong position \rightarrow implies **cost adv. & cash gen.**
- **Mkt Growth Rate:**
 - Indicates **mkt attractiveness**
 - High growth \rightarrow potential returns but **requires invstmt**
 - Cutoff $\approx 10\%$ p.a. (industry-specific)

◆ Ansoff Growth Matrix – 4 Growth Strategies

- Dev. by **Igor Ansoff**, pub. in **HBR, 1957**
- 2x2 matrix:
 - **Current/New Products**
 - **Current/New Markets**



1. Market Penetration (Current Prod, Current Mkt)

- Sell **more to existing cust.** or similar cust.
- Goal: \uparrow **Mkt Share**
- Tactics: promo, pricing, cust. value
- **Pros:**
 - Low risk
 - Uses existing **resources & capabilities**
- **Cons:**
 - Limited potential if already large share
 - May lead to **price wars**, \downarrow industry profits
 - \uparrow reliance on 1 prod-mkt = \uparrow vulnerability

2. Product Development (New Prod, Current Mkt)

- Focus: understand cust. better \rightarrow dev. new/complementary prod.
- Tactics:
 - Replace existing prod
 - Add complementary items
 - Create “**one-stop shop**”
- **Cons:**
 - Attracts new competitors
 - Compete across wider prod. range

3. Market Development (Current Prod, New Mkt)

- Find new mkts for current prod.
- Tactics:
 - New **segments** (e.g., students, seniors)
 - New **channels** (e.g., online)
 - **Geographic expansion** (local \rightarrow global)
- **Strength:** Ops stays stable; **marketing focus**
- **Challenges:**
 - Cultural, legal, language barriers
 - Minor prod. tweaks for local needs
 - Risk of attracting entrenched competitors

4. Diversification (New Prod, New Mkt)

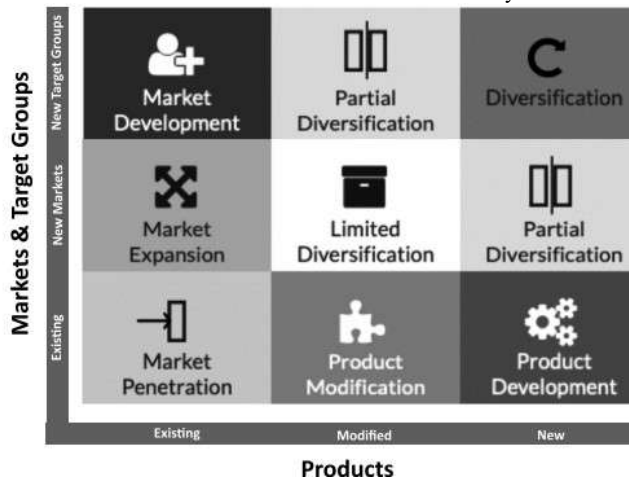
- Most **risky** strategy
- Types:
 - **Related Diversification:** logical ext. into similar area
 - **Unrelated (with existing capabilities):** leverage core strengths
 - **Unrelated (new capabilities):** highest risk (“suicide cell”)
- **Pros:**
 - \downarrow overall risk by entering **independent mkts**
 - Avoid unattractive/declining industries
 - Tackle **seasonality**
- **Cons:**
 - Requires new knowledge, infra, expertise
 - High failure potential if misaligned

✓ How to Use

- Tool for:
 1. **Brainstorming** strategic options
 2. **Evaluating** strategy mix (balance across quadrants)
- Helps avoid overconcentration in one area (esp. diversification)

Extensions of the Model

- **3D Matrix** (Ansoff's later version)
- **3x3 Matrix** (includes intermediate: modified products, expanded mkts)
 - Adds nuance: "a bit different" vs "very different"



ADL Matrix – Portfolio Strategy Tool

- Dev. by **Arthur D. Little**
- Based on **Product Life Cycle (PLC)** concept
- Two key axes:
 - **Industry Maturity** (Life Cycle Stage)
 - **Competitive Position** (Biz Strength)

ADL Matrix (Portfolio Management)

		Industry Life Cycle Stage			
		Embryonic	Growth	Mature	Aging
Competitive Position	Dominant	All out push for share. Hold Position.	Hold Position. Hold Share.	Hold Position. Grow with industry.	Hold Position.
	Strong	Attempt to improve position. All out push for share.	Attempt to improve position. Push for share.	Hold Position. Grow with industry.	Hold position or Harvest
	Favorable	Selective or all out push for share. Selectively attempt to improve position.	Attempt to improve position. Push for share.	Custodial or maintenance. Find niche and attempt to protect it.	Harvest, or phase out withdrawal.
	Tenable	Selectively push for position.	Find niche and protect it.	Find niche and hang on, or phased out withdrawal.	Phased out, withdrawal, or abandon.
	Weak	Up or out	Turnaround or abandon.	Turnaround, orphaned out withdrawal.	Abandon

1. Industry Maturity / Life Cycle Stages

Used to assess **external env.** (market dynamics, stage of ind.)

Stage	Key Features
Embryonic	Intro stage, ↑ growth, low/no comp., ↑ price & tech investment
Growth	↑ sales, few entrants, product gains traction
Mature	Stable mkt, repeat cust., ↑ comp., diff. needed
Aging	↓ demand, ↓ vol., stagnant/declining share, need innovation/exit

- Eval. criteria: **Mkt share, Investment, Profitability, Cash Flow**

2. Competitive Position

Used to assess **internal strength** (org. edge in product/place)

Position	Description
Dominant	Rare; near monopoly , disruptive innovation, strong brand
Strong	↑ mkt share, strong vs active competitors
Favorable	Edge in certain segments/geos; needs protection
Tenable	Niche/geographic or prod. diff. based strength; comp. pressure ↑
Weak	↓ share, poor profitability; but some opportunity for improvement

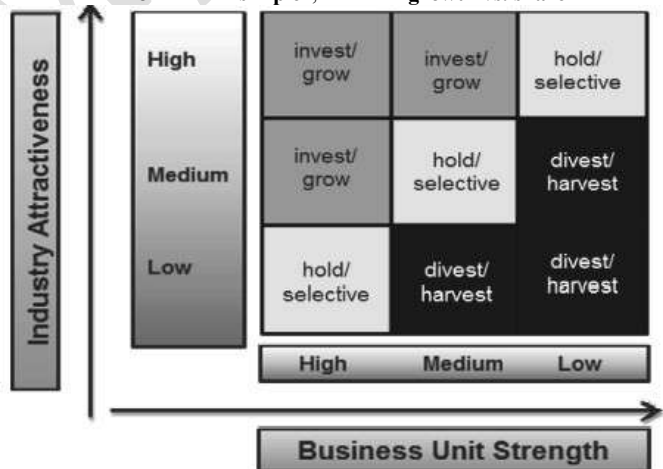
Steps to Use ADL Matrix

1. **ID Industry Stage** (Embryonic → Aging)
2. **Assess Competitive Pos.** (Dominant → Weak)
3. **Plot on Matrix Grid**

Here's a **concise bullet-point summary** of the **GE McKinsey Matrix**, optimized for **exam prep** with **bolded keywords**, minimal grammar, & technical brevity:

GE McKinsey Matrix – Portfolio Strategy Tool

- Dev. by **GE & McKinsey (1970s)**
- For **multi-BU firms**; allocates **scarce resources** smartly
- Plots BUs on **9-box grid**:
 - **Y-axis: Industry Attractiveness**
 - **X-axis: Competitive Strength** (of BU)
- Vs. BCG:
 - **GE: multi-factor**, subjective scoring
 - **BCG: simpler**, based on **growth vs. share**



1. Industry Attractiveness (Y-axis)

Factors:

- **LR growth rate, Size, Profitability** (Porter's 5 Forces)
- **Structure** (SCP model), **PLC stage, Demand trends, Prices**
- **PEST/PESTEL, Seasonality, Labor avail., Segmentation**

Steps:

- List factors → **Assign weights** (0.01 to 1.0) → **Rate** (1–5 or 1–10)
- **Score** = $\Sigma(\text{weight} \times \text{rating})$ per BU

2. Competitive Strength (X-axis)

Factors:

- **Mkt share** (total & growth), **Brand, Profitability, Cust. loyalty**
- **VRIO resources, Value chain strength, Prod. differentiation, Flexibility**

Same scoring steps as above

3. Plotting

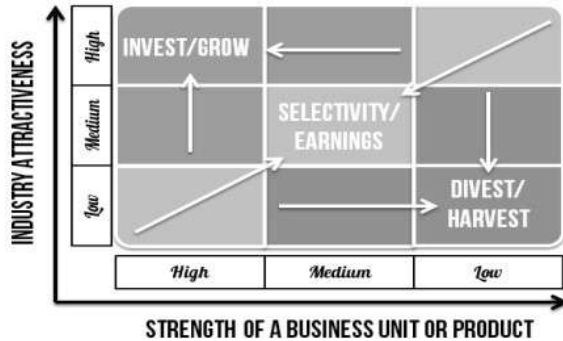
- Plot BUs as **circles** on 9-box matrix

- **Size = Revenue share** (e.g. BU1 = 20%, BU2 = 40%)

◆ 4. Matrix Zones – Strategic Implications

Zone	Action
Invest/Grow	↑ Attractiveness, ↑ Strength → Max invest (R&D, ads, expansion)
Selectivity/Earnings	Mid values → Invest if surplus or high potential
Harvest/Divest	↓ Attractiveness &/or ↓ Strength → Reduce or Exit (unless cash gen.)

GE-MCKINSEY MATRIX INVESTMENT IMPLICATIONS



◆ 5. Future Positioning

- Use **arrows** to show projected BU movement (↑↓)
- Consider:
 - Future **Ind. Attractiveness**
 - Future **BU Strength**

◆ 6. Final Step – Investment Priority

Questions to resolve:

- Is BU **worth investing** in?
- How much to invest?
- Where to invest? (e.g., **R&D, Mktg, Ops**)

✓Pros

- Helps prioritize **limited resources**
- **Better than BCG** (multi-factor, more realistic)
- Enhances **BU/manager awareness**
- Enables **strategic planning**

✗Cons

- Needs **expert/consultant** for accurate scoring
- **Costly & time-intensive**
- **No synergy** consideration among BUs

Here's a **condensed bullet-point summary** of **Strategic Alternatives** (Glueck & Jauch + Porter) with **bold keywords**, direct phrasing, and exam-ready format:

◆ Strategic Alternatives (Glueck & Jauch – 1984)

Matrix based on: **Expansion / Retrenchment / Stability** across **Products, Markets, Functions**

★ 4 Grand Strategies:

1. **Stability**
2. **Internal Growth**
3. **External Growth**
4. **Retrenchment**

◆ 1. Stability Strategy

- Maintains current **biz definition, goals & ops**
- Focus: **incremental improvements** (efficiency, effectiveness)
- No major changes; "do **nothing new**" ≠ "do nothing"
- Watch for **external changes**, adjust as needed
- Used when: biz is in **steady state**, low risk preference

✓Pearce et al. (1987) – Dimensions:

- Minor changes in **prod/mkt**
- Same **customer segment**
- Same **objectives, portfolio**
- Yearly **small improvements**

◆ 2. Internal Growth Strategy

- Involves **self-driven expansion**
- Redefines biz scope via:
 - **Market penetration**
 - **Market development**
 - **Product development**
- Adds **new tech**, expands **operations**
- May involve **diversification**, but **without M&A**
- Considered **less risky** than external

◆ 3. External Growth Strategy

- Growth via **other firms**:
 - **Mergers**: One firm loses identity
 - **Acquisitions**: Buy-out of another firm
 - **Consolidations**: Both lose identity; form new entity
 - **Joint ventures**: Shared ownership, new biz
- Goal: quick **market entry, scale, or resource acquisition**

◆ 4. Retrenchment Strategy

- **Cutback strategy** to improve performance
- Focus: cost-cutting, downsizing, divesting, reorganizing
- Reduces:
 - **Products**
 - **Markets**
 - **Functions**
 - **Assets**

✓Pearce et al. – Types:

- **Internal**: Op. turnaround (cost ↓, rev ↑)
- **External**: Divestiture, liquidation

◆ 5. Combination Strategy

- Mix of above 4 based on **situation-specific** needs
- E.g., Internal growth in core BU + Retrenchment in non-core BU

Here's a **crisp, exam-oriented bullet-point summary** of **Porter's Generic Strategies** with **bolded keywords**, **minimal grammar**, and direct phrasing:

◆ Porter's Generic Strategies (1985)

Book: "*Competitive Advantage: Creating and Sustaining Superior Performance*"

★ 3 Core Strategies:

1. **Cost Leadership**
2. **Differentiation**
3. **Focus** → subdivided into:
 - **Cost Focus**
 - **Differentiation Focus**

		Competitive Advantage	
		Cost	Uniqueness
Competitive Scope	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Focus cost Leadership	Focussed differentiation

◆ 1. Cost Leadership Strategy

- Target: **price-sensitive customers**
- Goal: **Lowest cost** in industry / segment
- Achieve via:
 - **High asset utilization** → high volume → EoS, experience curve
 - **Low op. costs** → std. prod, no-frills, min. customization
 - **Tight value chain ctrl** (finance, procurement, mktg, IT)
 - Ex: **Wal-Mart**
- Risk: **Rivals may copy** → must pursue **Kaizen/continuous improvement**

◆ 2. Differentiation Strategy

- Target: **non-price-sensitive segments**
- Works in: **competitive/saturated** mkts w/ specific needs
- Success = ability to:
 - Charge **premium price**
 - Earn **↑ revenue/unit**
 - Build **brand loyalty**
- Needs:
 - **Unique resources/capabilities**
 - **Difficult-to-copy offerings**
 - **Brand mgmt & mktg excellence**
- Ex: **Apple, Nike, Mercedes, CCD**
- Not ideal for **small firms**
- Must:
 - Invest in **R&D, innovation**
 - Deliver **premium quality**
 - Maintain **agility** in NPD (new product dev.)

◆ 3. Focus Strategy (Niche)

- Target: **niche mkts**, unique customer needs
- Strategy:
 - Understand niche deeply → tailored prod/services
 - Builds **brand loyalty**
 - Often used by **small firms**
- Two types:
 - **Cost Focus**: Lowest cost in niche
 - **Diff. Focus**: Unique offerings in niche

CH -5 COMPETITIVE POSITIONING

Here's a compact, bullet-style summary of Business-Level Strategy with exam-focused clarity, covering both core concepts and Porter's Generic Strategies, with bolded keywords, minimal grammar, and direct phrasing:

◆ BUSINESS-LEVEL STRATEGY (BLS)

★ Definition:

- **Coordinated, integrated plan** to gain competitive advantage

- Leverages **core competencies** in specific product/service markets

★ Focus:

- Applicable where firm has **multiple SBUs**
- Each **SBU** = strategic unit for a **distinct product/market segment**
- Strategy designed as per **unique environment** of each segment

★ Purpose:

- Add **customer value**
- Achieve **competitive edge** using firm's **unique strengths**

★ Scope:

- **Within** boundaries of **Corporate-Level Strategy (CLS)**
- CLS = "**What**" businesses to compete in
- BLS = "**How**" to compete in each business

★ SBU-Level Strategy:

- Defined per **market dynamics & competitive needs**
- Allocates resources among **functional areas** for maximum contribution
- Ex: **Reliance Industries** has different strategies for **textiles, fibers, petrochemicals**, etc.

★ Key Scholars:

- **Andrews**: CLS = enterprise-wide; BLS = indiv. business focus
- **Beard & Dess**: CLS = **industry choice**; BLS = **market execution**
- **Brown & Blackmon**: BLS = supports **org. goals** at SBU level

★ **Hill & Jones Curve**: Links 3 issues → customer needs, firm competencies, product offerings

◆ PORTER'S GENERIC STRATEGIES (1985)

★ 3 Core Strategies:

1. **Cost Leadership**
2. **Differentiation**
3. **Focus** → Subdivided:
 - **Cost Focus**
 - **Differentiation Focus**

◆ 1. Cost Leadership Strategy

★ **Goal**: Lowest cost in industry / target segment

★ **Target**: Price-sensitive customers

★ **Examples**: Amazon, Wal-Mart

★ How to Achieve:

- **High asset utilization** → EoS, experience curve
- **Low operating costs** → std. prod, no-frills, less customization
- **Tight value chain control** → optimize all functional areas
- **Use tech, automation, forecasting, resource efficiency**

★ Pros:

1. Enables **low prices**
2. Withstands **price wars**
3. Gains **market share**
4. Efficient **operations & processes**

★ Cons:

1. Risky → competitors can **imitate quickly**
2. Hard to maintain **perceived quality**
3. Needs **high volume** (thin margins)
4. Slow to **adapt to trends**

★ Risk Mgmt:

- Adopt **Kaizen** (continuous improvement) mindset

Want similar bullets for **Differentiation & Focus Strategy** too?

Here's a **condensed bullet-point version** of the above **Business-Level Strategies** and **Porter's Generic Strategies** — designed for **quick revision** with core concepts emphasized:

◆ Business-Level Strategy

- **Defn:** Integrated plan to deliver **customer value & gain competitive advantage** in a specific **product/service mkt**.
- Applied to **Strategic Business Units (SBUs)** — independent units in firms with diverse ops.
- Each SBU sets its **own strategy** based on its unique **envt, cust., competitors, channels**.
- Aligns with **corporate-level strategy** (which defines overall "what"; business-level defines "how").

Key Contributors:

- **Michael Porter:** 3 Generic Strategies — **Cost Leadership, Differentiation, Focus**.
- **Hill & Jones:** Strategy curve linking core issues in business modeling.
- **Brown & Blackmon:** SBU strategy = decision-making at unit level supporting org goals.
- **Beard & Dess:** Corp strat = **what** biz to compete in; Biz strat = **how** to compete in them.

◆ Porter's Generic Strategies (1985)

1. Cost Leadership

- **Goal:** Be lowest-cost producer.
- **Target:** Price-sensitive, broad market.
- **Approaches:**
 - High asset utilization (**econ of scale**).
 - Low op. costs via **standardization**, no-frills.
 - Control entire **value chain** (eg. **Walmart**).
- **Risk:** Imitation, tech shifts, loss of quality image.

✓ Pros:

- **Low prices**, withstand **price wars**, **high mkt share**.

✗ Cons:

- **Thin margins**, difficult to **maintain quality**, reliant on **high volume**, **slow** to react to mkt trends.

2. Differentiation Strategy

- **Goal:** Offer unique value, justify **premium pricing**.
- **Target:** Less price-sensitive, specific needs.
- **Examples:** **Apple, Nike, Mercedes, CCD**.

Success factors:

- Strong **R&D**, premium **quality, branding**, agile product dev.

✓ Pros:

- **Low price comp**, unique brand, **high margins**, **brand loyalty**.

✗ Cons:

- **High costs**, **inconsistent messaging**, **brand cannibalization**, affordability issues.

3. Focus Strategy (Niche Strategy)

- **Goal:** Dominate a **narrow mkt segment**.
- **Types:**
 - **Cost Focus:** Lowest cost in niche (ex: low-cost health snacks).
 - **Differentiation Focus:** Unique offering in niche (ex: **Rolls Royce, Breezes Resort**).
- Used by **small firms** or **new entrants**.

✓ Pros:

- **Resource optimization**, competitive edge, **profit potential**, niche **loyalty**.

✗ Cons:

- **Changing cust prefs**, **high competition**, niche may become **unprofitable**, hard to scale.

◆ Comparison of Generic Strategies

Feature	Low-Cost	Differentiation	Focus (Niche)
Target	Broad	Broad	Narrow niche
Advantage	Low cost	Unique offering	Cost or

Feature	Low-Cost	Differentiation	Focus (Niche)
Prod. Line	Basic, few frills	Wide range, premium features	uniqueness in niche Customized to niche
Production	Cost-cutting, std.	Innovative value creation	Tailored
Marketing	Price-value emphasis	Feature/brand emphasis	Niche-specific appeal
Sustainability	Kaizen, cost ctrl	Branding, innovation	Dedication to niche

Here's your **concise bullet-point revision notes** for **Strategy Implementation**, optimized for **quick exam prep** with technical terms **bolded**, redundant content removed, and ideas grouped for clarity:

☑ Strategy Implementation – Meaning

- **Implmntn** = putting formulated **strategy into action** to achieve **org objs**.
- **Formulation** = intellectual; **Implmntn** = operational.
- Even the **best strategy fails** without **effective implmntn**.
- Ensures integration of **people, structure, processes, resources**.
- Turns **strategic promise** into **performance**.

☐ Key Components

- Create **fit** between:
 1. **Strategy & functional policies**
 2. **Strategy & org structure/process/systems**
- Involves **resource acquisition, org setup**, and **execution direction**.
- Needs **structural + admin mechanisms** compatible with strategic goals.

☐ Formulation vs Implementation

Formulation	Implementation
Intellectual, analytical	Operational, people mgmt
Top mgmt level	All hierarchy levels
Conceptual	Practical/action-oriented
<ul style="list-style-type: none"> • Not conflicting, but complementary. • Forward linkage: Formulation → guides Implmntn. • Backward linkage: Implmntn feedback → guides formulation. 	

☐ Supporting Factors for Effective Implementation

1. **Action Planning:**
 - List of tactical steps.
 - Assign responsibility, deadlines, resources.
2. **Organizational Structure:**
 - Must align with intended **strategy**.
 - Diff. strategies → need diff. structures.
3. **HR Factors:**
 - Includes **communication needs, strategy impact on HR**.
 - HR alignment = key to success.
4. **Annual Business Plan:**
 - Link **strategy ↔ budgeting**.
 - Ensure **financial commitment**.
5. **Monitoring & Control:**
 - Track progress → take **corrective action**.
 - Link plan ↔ daily ops.
 - Improve performance & objective alignment.

☑ Steps to Set Functional Area Goals

1. Compare existing functional goals vs. new corp/biz-level goals.

2. Identify new **functional variables**.
3. Set **goal values** per function.

□ Issues in Strategy Implementation

1. **Project Implementation:**
 - Phases: Planning → Screening → Feasibility → Execution → Disbanding.
 - Ensures facilities/resources are ready for strategic execution.
2. **Procedural Implementation:**
 - Compliance with **laws/policies** (e.g., FEMA, labour laws, import/export).
3. **Organizational Structure & Strategy:**
 - Structure follows strategy.
 - Simple strategy = simple structure; Growth = flexible/matrix structure.
4. **Resource Allocation:**
 - Allocate **fin., phys., human** resources to SBUs/depts.
 - Critical for executing strategic tasks.
5. **Functional Policies:**
 - Guide operational managers.
 - Require updation post new strategic direction.
6. **Communication Strategy:**
 - Clear messaging on **mission, objs, tech, market scope** to all levels.
 - Enables **clarity of roles**.
7. **Leadership:**
 - Drives culture, structure, and system.
 - Key to successful strategic change.
8. **Challenges to Change:**
 - Change = often inevitable (minor/major).
 - Process: **Unfreeze → Move → Refreeze**.
9. **Pre-implementation Evaluation:**
 - Final **scrutiny/check** to avoid flaws.
 - Confirm **optimality** of chosen strategy.

📌 Definitions

- **Glueck:** Implmnt = assigning/reassigning SBU leaders, developing **functional policies**, aligning **structure & climate**.
- **Hill & Jones:** Implmnt = creating org. setups to **execute strategy efficiently**.
- **Miller & Dess:** Implmnt = **transforming intentions into actions** → leads to **realized strategy**.

Here's your **concise bullet-point summary** for quick revision, following your preferred style — **bolded key terms**, minimal grammar, direct language, and focused on **technical/strategic keywords**:

MANAGING STRATEGIC CHANGES

Problem: Resistance to Change

Ways to overcome:

- **(i) Education & Comm.:** Clear info dispels resistance; build **mutual trust**.
- **(ii) Participation:** Involve affected employees → sense of **ownership, importance**.
- **(iii) Commitment:** **Public** commitment > private; increases accountability.
- **(iv) Leadership:** **Transformational leaders** use personal motivation to drive change.
- **(v) Training & Counselling:** Change **values/skills/attitudes** via **education**.
- **(vi) Coercion/Edict:** Use **power**; least preferred, only in **crisis/confusion**.

STRATEGIC LEADERSHIP

Def.: Influencing others to make daily decisions supporting **long-term growth + short-term stability** (W. Glann Rowe, 2001)

Importance:

- Helps identify **org. strengths**

- Requires **creative, vision-driven** approach
- Crucial for **sustainable competitive advantage**

Types:

- **(a) Transactional Leadership:**
 - Focus on **clear expectations, performance-based rewards/punishments**
 - Uses **incentives** (pay, bonuses) and **discipline**
 - Good for results; lacks **long-term innovation**
- **(b) Transformational Leadership:**
 - Uses **vision** to inspire change
 - Builds **confidence**, defines **roles/goals**
 - Drives **organizational + individual transformation**
 - (Northouse, 2001) – Motivates people to improve situations
- **(c) Charismatic Leadership:**
 - Driven by **personality, charm**
 - Similar to transformational but focuses on **status quo change**, not entire org.

Strategic Leadership Skills (Harvard Biz. Review)

- **Anticipate:** Gather wide info → predict **competitor moves**
- **Challenge:** Reframe problems from **multiple angles**
- **Interpret:** Test hypotheses; encourage **open inquiry**
- **Decide:** Balance **long-term growth vs short-term results**
- **Align:** Understand **stakeholder interests**, manage conflicts
- **Learn:** Use **success/failure stories**, adjust via **feedback**

Strategic Thinking Skills

Abilities for **critical thinking** in complex, long-term planning

- **Analytical:**
 - Analyze **finance, market trends, internal resources**
 - Essential for strategy aligning with current conditions
- **Communication:**
 - Express **complex ideas**, engage **stakeholders**
 - Build **alignment** across org.
- **Problem-solving:**
 - Identify and address **core issues**
 - Create **action plans** for strategic obstacles
- **Planning & Mgmt.:**
 - Convert strategy into **action**
 - Needs **coordination, execution focus**

Here's your content rewritten into **concise, exam-ready bullet points** with a focus on **technical terms, keywords, and minimal grammar**, as per your preferred style:

Fintech: Core Concepts

- **Fintech = Fin. Tech.** improving & automating fin. services.
- Combines **software + algos** → used on **PCs & smartphones**.
- Covers innovations from **digital money to bookkeeping**.

Evolution of Fintech

- Pre-2000s: Tech for **back-office** of banks/trading firms.
- Post-smartphone era: Shift to **consumer-oriented** fin. services.
- Covers: **Edu, retail banking, fundraising, invest. mgmt**, etc.

Fintech Use Cases

- **Money transfer, mobile check deposit, loan apps** (no branch), **startup fundraising, DIY investments**.
- 2017 EY Index: 1/3rd users use **≥2 fintech svcs**.
- Includes **cryptocurrency** (e.g., **Bitcoin**) → headlines ≠ \$\$; **traditional banking** = big market cap.

Key Areas of Fintech Innovation

- **Crypto + Digital cash**
- **Blockchain tech** (e.g., Ethereum / DLT)
- **Smart contracts**: self-executing code on blockchain
- **Open banking**: 3rd-party apps access bank data (e.g., Mint)
- **Insurtech**: tech to simplify insurance
- **Regtech**: compliance tools for **AML/KYC**
- **Robo-advisors** (e.g., Betterment): algo-driven investment advice
- **Unbanked/Underbanked** solutions
- **Cybersecurity**: essential due to decentralized infra

Fintech Users

- **4 categories**:
 - B2B (Banks)
 - B2B (Clients)
 - B2C (SMEs)
 - B2C (Consumers)
- Growth drivers: **mobile banking, data analytics, decentralized access**
- Focus = **Millennials** (size, income, tech-use)
- Older gens less served → fintech ≠ solve their needs
- Pre-Fintech: Banks needed for credit cards/startup loans → Now: **mobile tech** replaces infra

Regulation & Challenges

- Fin. svcs = **heavily regulated**
- Top Govt concern = **regulation**
- Risks:
 - **Cyberattacks** via digitized data/automation
 - Conflicts: **Tech "move fast" vs. Finance caution**
- **ICO scams** due to unregulated fundraising
- Startups dodge **SEC** via "utility tokens"
- Solutions:
 - Use of existing/custom regulations
 - **Fintech Sandboxes**
 - **GDPR (EU)**: limits data collection
 - Japan/S. Korea: ICO regulation

Blockchain: Tech & Working

- **Blockchain** = linked data records (**blocks**) using **hashes**
- Each block connected via cryptographic hash
- **Decentralized**: stored/copied on multiple systems
- **Tamper-proof**: altering 1 block → disrupts whole chain

Blockchain: Use & Importance

- Backbone of **Bitcoin & crypto**
- Benefits:
 - Removes **middlemen**
 - Enhances **data security**
 - Reduces **corruption**
 - Speeds **svc delivery**
- Use cases:
 - **Land records**: public, verifiable chain
 - **Hallmarked gold**: ledger for authenticity
- Adoption: slow due to:
 - **Reg. vacuum**
 - **Scalability & speed** issues
 - Tech-finance **integration issues**
 - **Legal/regulatory** hurdles

Future Scope & Use

- Useful for B2C cos for **UX/transparency**
- Potential areas: **banking txn, land, vehicle reg.**
- Even disrupts **Uber/Airbnb** via smart contracts
- Cuts out **platforms + fee-processors**

3 Pillars of Blockchain

1. **Decentralization**
2. **Transparency**

3. Immutability

Here's your content rewritten into **compact, bullet-style exam notes**, with focus on **blockchain's 3 pillars, key concepts, and use cases**, using minimal grammar and heavy keyword emphasis:

◆ Pillars of Blockchain Technology

1. Decentralization

- **Traditional systems** = Centralized (e.g., banks, servers)
- Central entity = stores data, mediates transactions
- **Decentralized** = No central control → all nodes hold info
- Users interact **peer-to-peer (P2P)**; no **3rd-party**
- **Bitcoin ideology**: You control your own funds; no bank needed

2. Transparency

- **Public ledger** = Viewable by all; pseudo-anonymous
- Identities hidden via **public key cryptography**
 - E.g., "1MF1bhsFLkB..." instead of "Bob"
- All txns traceable by address → boosts **accountability**
- Combines **privacy + transparency**
- Unique to blockchain; not present in trad. fin. systems

3. Immutability

- Once recorded on blockchain → **can't be altered**
- Enabled by **cryptographic hash functions**
 - Input → hashed output (fixed length)
 - Example: Bitcoin uses **SHA-256**
- Ensures **txn integrity & data permanence**
- Any tampering → invalidates chain (hash mismatch)

✓ Hashing Recap

- Input (any length) → Output (fixed-length hash)
- Small change in input → drastically diff hash
- Blockchain stores **hashes** → efficient + secure record

🔗 Blockchain Applications

1. **Smart contracts** – auto-executing digital agreements
2. **Sharing economy** – P2P access without platforms
3. **Crowdfunding** – token-based fundraise (ICOs)
4. **Governance** – transparent voting systems
5. **Supply chain audit** – full traceability
6. **Decentralized storage** – e.g., Filecoin
7. **Prediction markets** – e.g., Augur
8. **IP protection** – digital rights on-chain
9. **IoT** – secure machine-to-machine txn
10. **Microgrids** – local energy trading
11. **Identity mgmt** – single source of verified identity
12. **AML/KYC** – regulatory compliance
13. **Data mgmt** – secure, verified access
14. **Land title reg.** – tamper-proof ownership records
15. **Stock trading** – real-time, transparent execution

💡 Key Takeaway

- **Blockchain = Trust Machine**
- Ensures:
 - No missed/excess txns
 - No unauthorized changes
 - Verifiable, tamper-proof record
- Acts as **distributed + validated** ledger system
- Enables **secure, auditable digital economy**

CH-6 MANAGING THE MULTI BUSINESS FIRM AND ANALYZING STRATEGIC EDGE

Here's your full content on **Business Process Reengineering (BPR)** rewritten into **crisp, exam-ready bullet notes** — structured by themes, minimizing grammar, and maximizing keyword recall:

◆ BUSINESS PROCESS REENGINEERING (BPR)

✔ Definition & Origin

- **BPR** = Radical redesign of core **biz processes** for **cost, quality, speed, svc** improvement.
- Not about incremental improvement → aims for **quantum leap**.
- Term popularized by **Hammer & Champy (1993)**.
- Origin: **Harvard Business Review (1990)** article – “*Don't Automate, Obliterate*” by **Michael Hammer**.
- BPR ≠ Automation → It's **elimination + reinvention**.
- Break from **Adam Smith's division of labor** → end-to-end value delivery.

🎯 Objectives of BPR

- Eliminate **redundancy** & reduce **enterprise costs**.
- Improve **efficiency & product quality**.
- Enable **cost savings & business growth**.
- Offer **meaningful work** to employees.
- Enhance **adaptability** for future change.

✂️ Tools of BPR

- **Customer + Process Focus**
- **Visualization + Benchmarking**
- **Change Mgmt Tools**
- **Business Process Mapping**

🔄 Steps in BPR (Simplified)

1. **Define** objectives + framework
2. **Identify** customer needs
3. **Study** existing processes (SWOT)
4. **Formulate** redesign plan
5. **Implement** the redesign

📅 BPR Life Cycle (BPR-LC)

1. **Visioning** – Define biz goals
2. **Identifying** – Select process to reengineer
3. **Analyzing** – Measure current performance
4. **Redesigning** – Use **IT** to design alternatives
5. **Evaluating** – Select best redesign
6. **Implementing** – Rollout new process
7. **Improving** – Continuous process optimization

📊 Typology of BPR Projects (Earl, 1994)

1. **Core Processes** – Direct value to external customers (e.g. order fulfillment)
2. **Support Processes** – Internal functions (e.g. HR, finance, IT)
3. **Business Network Processes** – Inter-org (e.g. suppliers, partners)
4. **Management Processes** – Strategy, planning, control

🔑 Success Factors (*Al-Mashari & Zairi, 1999*)

- Change in **management**
- **Management competencies**
- Revised **org structure**
- Strong **BPR project mgmt**
- **IT infrastructure**

❌ Challenges & Risks

- Dual challenge: **Technical + Socio-cultural**
- **Technical**: Radical process design
- **Socio-cultural**: Resistance from employees

- ❑ Reasons for Failure (Crowe, Kotter):
 - Employee **resistance to change**
 - **Poor communication**
 - **Turnover** during transition

✔ Successful BPR Examples

- **Hallmark** – Reengineered new product cycle
- **Kodak** – 50% faster B&W film order process
- Boosted by rise of **ERP** → seamless inter-process comm.

❌ Key Takeaways

- BPR = Tool for **biz transformation**
- Drives **cost-efficiency, value creation, and process agility**
- Requires **top-down commitment + employee buy-in**
- Can **revive** failing orgs if well-executed

Here's a **concise bullet-point version** of the case studies on **BPR** (Business Process Reengineering), following your preferred format—**direct, keyword-heavy, with minimal grammar and technical emphasis**:

✔ Case Study 1: Infosys – Commission Process Reengineering for AUS Bank/Insurer

Client: Top 10 AUS bank, top 5 insurer

Business Need:

- Accurate & timely **commission payments**
- Crucial to **channel management & competitive edge**

Challenges:

- Manual processes, **band-aid systems** → High **cost + risk**
- ~**AUSS90M** annual commissions = 20% of **pre-tax profit**
- High **commission leakage & overpayments**

Infosys Role:

- **Centralized commission mgmt. system** recommended
- Coverage:
 - Multi-**business** (insurance, banking, wealth mgmt.)
 - Multi-**brands, intermediary models**
 - Legacy system **consolidation**
 - Integration: Hogan (product), PeopleSoft (payment), CRM
 - Handle >5000 intermediaries & 4L txn/month
- **Vendor assessment**: Callidus, Synogy, Siebel, etc.
- Developed **business case & implementation roadmap**

Outcome/Benefits:

- Most **suitable platform** selected via structured criteria
- Clear **exec-level articulation of business benefits**

✔ Case Study 2: Ford – Accounts Payable Reengineering

Before BPR:

- PO raised → Copy to AP → Vendor invoice → 3-way match → Payment
- **500 employees** managing AP

Trigger:

- Mazda (similar scale) ran AP with **100 employees**

After BPR:

- **Invoice-less** process
- PO entry in DB → Material receipt update → **Auto-payment** triggered
- **IT-enabled redesign**, not incremental
- **75% employee reduction** in AP

✔ Case Study 3: Airbnb – Product Development Reengineering

Problem:

- Designers, Engineers, Researchers = **Siloed**
- Sequential handoffs → **Delays**, misaligned outcomes
- No real-time iteration, disconnected processes

BPR Solutions:

1. **Centralize Dispersed Resources (Virtually)**
 - Unified **digital environment** → Real-time updates
 - Eliminate tool-based **fragmentation**

- Enable **collaborative prototyping**
- **Learning:** Treat **distributed teams** as **centralized units**
- 2. **Organize Around Outcomes, Not Tasks**
 - Product teams built around **goals** (not just features)
 - Include **emotions**, user perspective + tech metrics
 - **Learning:** Focus on **end-goal impact**, not micro-tasks
- 3. **Link Parallel Activities Instead of Integrating Later**
 - **Embed researchers** early & throughout
 - Validate features **continuously**, not retroactively
 - **Learning:** Create **cross-functional sync**, avoid late-stage rework

Here's your **Benchmarking summary** in **exam-crack bullet format**—direct, keyword-rich, minimum grammar, with focus on **types, approaches, history, pros/cons:**

✓ Benchmarking – Definition

- As per **Camp**: “*Finding & implementing the best business practices.*”
- **Tool of comparison:** Biz processes/products vs **best-in-class** (within/outside industry)
- Goal: **Improve org performance** via adoption of **best practices**

✓ Why Benchmarking?

- Helps orgs know where they **stand vs competitors**
- E.g. 85% customer satisfaction feels good **until** industry avg = 95%
- **Origin:** Late 1980s–1990s; pioneered by **Xerox, AT&T**
- Led to wide adoption of **process benchmarking**

✓ Benchmarking Evolution

Period	Focus
1950–75	Reverse engineering
1976–86	Competitive benchmarking
1982–86	Process benchmarking
1988+	Strategic benchmarking
1993+	Global benchmarking

✓ Types of Benchmarking (Tuominen; Bogan & English)

1. **Strategic Benchmarking**
 - Identifies **winning strategies** (often **outside industry**)
 - Used for **long-term comp. edge**
2. **Performance Benchmarking**
 - Compare **product/service metrics**
 - Focus: **Quality, price, speed, features, design, CX**
3. **Process Benchmarking**
 - Study **similar activities** in other orgs
 - Used after **identifying weak spots** via performance benchmarking

✓ Approaches to Benchmarking

1. **Internal Benchmarking**
 - Compare **teams/divisions** within same org (esp. multi-location orgs)
 - Share **best internal practices**
2. **Competitive Benchmarking**
 - Compare with **direct competitors** in same industry
3. **External Benchmarking**
 - Benchmark against **any orgs, within/outside industry**
4. **Functional Benchmarking**
 - Compare **functional units** (e.g., HR, Mktg) across companies
 - Focus on **dept-level excellence**
5. **Generic Benchmarking**
 - Compare **work processes**, not orgs
 - E.g., Mktg team observes another co's **HR use of big data**, applies it

✓ Summary Map

Types:

- **Performance, Process, Strategic**

Approaches:

- **Internal, Competitive, External, Functional, Generic**

✓ Advantages

- Easy to **understand + apply**
- **Low-cost**, high-gain (if done right)
- Drives **innovation**, exposes **cost/perf gaps**
- Boosts **inter-team collab**
- Insights into **external ops & systems**

✓ Disadvantages

- Need **benchmark partner**
- Some processes **lack measurable metrics**
- May need **consultants**
- **High upfront cost**
- **Change resistance** from mgrs

Here's a **concise, exam-ready bullet point** version of your **Benchmarking** and **TQM** notes with **technical terms bolded**, **direct phrasing**, and focus on **core concepts:**

■ BENCHMARKING

◆ Definition (Camp)

- Benchmarking = “**Finding & implementing best biz practices**”
- Tool to **compare** company's **products/processes** with **industry best** (internal or external)
- Aim: **Improve performance**

◆ Understanding

- Comparison essential to evaluate real performance (e.g., 85% CSAT vs. industry avg. 95%)
- Became key strategy tool in **1980s-90s** (e.g., **Xerox, AT&T**)

◆ Evolution

Period	Type
1950–75	Reverse Engineering
1976–86	Competitive Benchmarking
1982–86	Process Benchmarking
1988+	Strategic Benchmarking
1993+	Global Benchmarking

◆ Types (Tuominen, Bogan & English)

- **Strategic:** Learn winning **strategies**, often from **outside industry**
- **Performance:** Compare **products/services** (quality, features, price, CSAT, etc.)
- **Process:** Improve internal **processes** based on best-in-class practices

◆ Approaches

- **Internal:** Compare **divisions/teams** within same org
- **Competitive:** Compare with **direct competitors**
- **External:** Look at **best practices** across **industries**
- **Functional:** Compare **functional areas** (HR, Ops, Mktg) across companies
- **Generic:** Focus on **excellent processes**, not specific orgs

◆ Benchmarking Wheel (5 Steps)

1. **Plan** – Define & set **metrics**
2. **Find** – Locate **benchmarking partners**
3. **Collect** – Choose method & **gather data**
4. **Analyze** – Identify **performance gaps**, make **recommendations**
5. **Improve** – **Implement** improvements

◆ Xerox 12-Step Process (Robert Camp)

Phase 1: Planning

1. Identify what to benchmark
2. Find benchmarking partners
3. Data collection methods

Phase 2: Analysis 4. Identify performance gap

5. Project future performance

Phase 3: Integration 6. Communicate findings

7. Set functional goals

Phase 4: Action 8. Develop action plans

9. Implement & monitor progress

10. Recalibrate benchmarks

Phase 5: Maturity 11. Attain leadership position

12. Fully integrate best practices

☑ Advantages

- Easy to use
- Low cost, high gain
- Sparks **innovation**
- Increases **cost awareness & cooperation**
- Reveals **best practices**

☐ Disadvantages

- Need to find **partners**
 - Hard to assign **metrics** sometimes
 - May need **consultants**
 - **High initial cost**
 - Resistance to **change**
-

✳ ☐ TOTAL QUALITY MANAGEMENT (TQM)

◆ Definition

- **Mgmt philosophy** for long-term success via customer satisfaction
- Based on **continuous improvement + employee participation**
- Pioneered by **W. Edwards Deming**

◆ ASQC Definition

- Long-term success = **customer satisfaction**
- Focus on **processes, people, products, culture**

◆ Key Contributors

- **Deming, Crosby, Juran, Feigenbaum, Ishikawa**
-

◆ TQM Foundations

- Applies to **all functions**: Mktg, R&D, HR, Ops, Sales
- Key idea: "**Do it right the first time**"
- Used in both **manufacturing & services**

◆ Examples

- **Toyota, Motorola, Ford, SGL Carbon, Phillips Semiconductor**
-

◆ TQM Principles

1. **Mgmt Commitment** – Plan, Do, Check, Act
 2. **Employee Empowerment** – Training, suggestion schemes
 3. **Fact-Based Decisions** – SPC, 7 tools, FMEA
 4. **Continuous Improvement** – Improve CONQ, cross-functional teams
 5. **Customer Focus** – Internal + external customer standards
 6. **Process Approach** – Break work into steps → improve each
 7. **System Mgmt** – Manage interlinked processes as a whole
 8. **Supplier Relations** – Mutually beneficial partnerships
-

◆ TQM Characteristics

- **Total involvement** of all employees
 - **Customer-focused** operations
 - **Continual improvement culture**
 - Emphasis on **process steps & integration**
 - **Fact-based decision-making**
-

- **Strong leadership & strategy definition**
 - **Healthy supplier ecosystem**
-

◆ Implementation Process

1. **Assess current state** – Identify gaps, preconditions, & change readiness
 2. **Crisis/opportunity** can spark TQM initiation
 3. **Leadership action** is vital – set vision, drive change
 4. Use **action vehicles** (e.g., training, systems) to embed change
-

◆ Continuous Improvement Focus Areas

- **Demand gen**
 - **Supply gen**
 - **Technology**
 - **Operations**
 - **People capability**
-

Here's a **concise bullet-point summary** for quick revision of the content on **TQM, Ford & AtlantiCare case studies, and Six Sigma**:

TQM – Total Quality Mgmt

- **Mgmt philosophy**: Continuous, org-wide quality improvement.
 - Rooted in work of **Deming, Juran, Ishikawa**.
 - Quality = outcome of all activities across org.
 - Requires:
 - **Planned** improvement
 - **Participation** from all levels (floor to top)
 - **Quality systems + culture**
-

CASE STUDY: Ford Motor Co. – TQM

- 1980s slogan: "**Quality is Job 1**"
 - Faced threat from **Japanese imports**
 - Adopted **Deming's philosophy**
 - Turnaround:
 - **\$3B losses (1979-82) → Most profitable US automaker by 1986**
 - Success: **Taurus-Sable** launch
 - Later setbacks:
 - **Explorer-Firestone** controversy
 - **Product recalls, delays**
 - Drop in **Customer Satisfaction** (J.D. Power, Consumer Reports)
 - Response: Adopted **Six Sigma** (1999 under CEO Jacques Nasser)
-

AtlantiCare – TQM in Healthcare

- 5000 employees, 25 locations
 - TQM via **PDCA (Plan-Do-Check-Act)** cycle
 - Found gaps: **poor internal communication** → delays, complaints
 - Changed to **horizontal (lateral)** feedback flow
 - All new employees trained in **Performance Excellence Framework**:
 - **5 areas**: Quality, Customer Svc, People & Workplace, Growth, Financial
 - Process style: **Tight-loose-tight**
 - Result:
 - **Tripled repeat customers**
 - **Market share at 6-yr high**
 - **Revenue jump: \$280M → \$650M**
-

Six Sigma – Overview

- **Data-driven, Statistical** quality control program
 - Goal: Max **3.4 defects/million** (i.e., near-zero defects)
 - Origin: **Motorola, 1980s**; Popularized by **GE (Jack Welch)** in 1990s
-

Six Sigma – Key Aspects

- **Business Strategy:** Improve **revenue, cut costs**, enhance **processes**
- **Vision:** Defect-free, **positive org culture**
- **Benchmark:** Improves metrics, allows **re-benchmarking**
 - Ex: Pizza delivery → 60min → 45min → 30min
- **Goal-setting:** Stringent targets, continuous improvement
- **Statistical Tool:** Uses **Sigma level** to measure & improve performance
- **Robust Methodology:** Bullet-proof, high ROI when used correctly

Six Sigma – Why Adopt

- Responds to:
 - **Rising costs, resource constraints**
 - Need to outpace **competition**
- Benefits:
 - ↓ Cycle time
 - ↓ Scrap/waste
 - ↑ Customer satisfaction
 - ↓ Defects & reworks
- Wide scope: Not just mfg – works in **services, admin, biz ops, customer care**

Want these points restructured into a **comparison table** (e.g., TQM vs Six Sigma) or **flashcards-style Q&A** for exam prep? Here's a concise breakdown in bullet-point format for quick revision on **Six Sigma** and related content:

★ How Six Sigma Works

- Aims to move a **biz process** from current state to **improved, stat. significant** state.
- Uses **statistical tools** to ID, reduce defects/variations.

🔧 Situation 1: Existing Process (DMAIC)

1. **D – Define:** Problem stmt, process goals from **VOC**, set boundaries.
2. **M – Measure:** Baseline current state, collect data on potential causes.
3. **A – Analyze:** Identify root cause of defects/variations.
4. **I – Improve:** Remove root causes; reduce variation.
5. **C – Control:** Maintain improvements, prevent regression.

✳️ Situation 2: No Existing Process (DFSS - IDOV)

1. **I – Identify:** Goals, industry benchmarks, **VOC**.
2. **D – Design:** Explore + select best solution.
3. **O – Optimize:** Use stats/simulation to refine.
4. **V – Validate:** Ensure design meets goals.

🔄 Note: DMAIC may evolve into DFSS if process needs complete redesign.

□ Key Insight

- 6 Sigma ≠ Just Quality Focus. Also about **market fit + customer needs**.
- 📌 Eg: **Polaroid (1997)** became 6σ company → **Bankrupt in 2001** due to lack of market alignment.

📦 Example: Pizza Delivery

- **CTQ:** Timely delivery.
- **Measure:** Minutes.
- **Spec:** <30 min from order accept.
- **Defect:** Delivery >30 min.
- To qualify 6σ → 99.9997% on-time delivery.

□ Six Sigma Certification Levels

Level	Role
Champion	Understands 6σ concepts; supports project.
Yellow Belt	Knows DMAIC/stats tools; not led projects.
Green Belt	Part-time project member/leader; core execution.
Black Belt	Full-time, plans + leads projects; stats expert.

Level

Role

Master Black Belt Trains Black Belts; strategic direction + mentoring.

🚗 Case Study: Ford Motor Company

Problem: Low productivity, poor quality, unhappy customers.

Action: 6σ launched in late 1990s – "Consumer-driven Six Sigma".

Goals:

- Reduce defects (target: 1/14.8 vehicles)
- Enhance customer satisfaction
- Cost/environmental impact reduction

Outcomes:

- Eliminated \$2.19B waste (since 2001)
- 9500+ projects, \$1.7B savings
- +5% in customer satisfaction

Challenges:

- Employee buy-in
- Resource needs
- Infrastructure for data + internal metrics

📊 BPR vs. Six Sigma

Feature	BPR	Six Sigma
Style	Radical redesign	Incremental process align.
Drivers	Recession, mkt change	COPQ, process capability
Tools	Process maps	Stats tools
Deployment	Top-down	Top-bottom-middle
Experts	Outside consultants	Internal experts
Risk/Return	High/Low	Med/High

👑 Case Study: Zara – Fast Fashion King

Core Strengths:

- In-house **design-to-retail** (Vertical Integration).
- New design in **2 weeks** (10k/year!).
- **Low inventory, fast turnover** → low markdowns.
- Designs by **teams**, not individuals.
- Majority prod. in **Europe** → faster delivery.

Competitive Edge:

- Faster than H&M, Gap, Benetton.
- Fashionable + moderately priced.
- Very **few seasonal discounts** needed.
- Real-time **trend monitoring** via procurement hubs.

Logistics Mastery:

- Own railway → 24–36 hr delivery in EU.
- Twice weekly shipments.
- Fast in-store setup (color-coded for quick display).

Risks:

- High infra cost → hard to relocate/scale quickly.
- Vertical integration = less flexibility.
- Dependence on centralized operations.

Here are **crisp bullet-point notes** summarizing **Case Study-2 (McDonald's)** and **Case Study-3 (AMUL SWOT Analysis)** in exam-friendly format with emphasis on technical terms and key concepts:

📌 CASE STUDY-2: McDONALD'S MARKETING TACTICS Global Presence & Performance

- Operates in **100+ countries, 30,000+ outlets**
- 2007: Sales ↑ 6.8% to **\$23B**, but **Net Profit ↓ by \$1.1B**
- Success attributed to **"The System"** (Company + Franchisees + Suppliers)

Strategic Framework: Plan to Win

- Focus: **Quality > Quantity** (Being best, not biggest)
- 5Ps of **Customer Experience: People, Products, Place, Price, Promotion**
- Uses **Geo-specific strategies**

Geographical Strategy

- **USA:** Focus on **breakfast, chicken, beverages, convenience**

- **Europe: Tiered menu** – premium, regular, classics + seasonal specials
- **Asia/Middle East/Africa:** Focus on **value, menu core, breakfast**

Organisational Strategies

- **Customer-centric service**
- **Drive-thru optimization**, extended hours (late night)
- **Menu diversification** – coffee, salads, local specials
- Investment in **restaurant modernization, McCafé rollouts**
- Focus on **affordability, staff training, franchisee development**

Marketing Initiatives

- **Brand transparency**, global recognition, ‘i’m lovin’ it’ campaign
- **Localized products:** eg. **Beijing Burger, Rice Sticks** during Olympics
- **Co-branding** (e.g., **Shrek-Happy Meal** in 2007)
- **Interactive promotions** (e.g., Name-the-burger in Australia – “Backyard Burger”)

Investment & Expansion

- Capex: **\$1.9B** in restaurant **modernization & expansion**
- Shift towards **franchise model** (limited in countries like **China** due to regulation)

Key Outcomes

- Stronger **brand equity, localized relevance**
- Boost in **customer satisfaction, sales productivity**
- **Olympics marketing** enhanced **global perception**
- Reduction in **employee turnover** via training programs

☑ CASE STUDY-3: SWOT ANALYSIS OF AMUL

Company Overview

- Managed by **GCMF**
- India’s largest food marketing org
- Network: **61 offices, 10K dealers, 10L retailers**
- Product range: Milk, Ice cream, Ghee, Cheese, Chocolates, Indian sweets, etc.

◆ S – Strengths

- **Tech Investment** – R&D and automation in dairy
- **Market Leader** – Milk & ice cream dominance
- **High Production** – 18 million litres/day
- **Brand Trust & Quality** – Consistency + no major quality issue
- **Iconic Mascot** – Amul Girl = high recall value
- **Large Consumer Base** – Urban + rural penetration

◆ W – Weaknesses

- **High Operational Costs** – Complex cooperative + supply costs
- **Unsuccessful Expansions** – Some products underperform
- **Legal Controversies** – Negative brand impact from competitor ads

◆ O – Opportunities

- **High Milk Demand** – Essential part of Indian diet
- **Global Expansion** – Target **NRIs** & new int’l markets
- **Portfolio Diversification** – R&D, M&A, leverage strong dist. network

◆ T – Threats

- **Rising Competition** – From Mother Dairy, Kwality, HUL, etc.
- **Veganism Trend** – Could reduce dairy consumption

★ Tips for Effective SWOT Analysis

- Keep it **short & focused**, with **actionable insights**
- **Prioritize** critical factors (impactful > minor)

- Gather **diverse views** – internal & external stakeholders
- Apply SWOT to **specific issues**, not just the biz overall
- Think **current vs future**
- Factor in **competitive advantage** (services, warranty, delivery, etc.)
- Align SWOT with **business plan goals**

☑ Conclusion

- SWOT aids in **strategic planning, market analysis, and problem-solving**
- It offers a **360° view** of internal/external factors
- Helps map out **opportunities & mitigate risks**
- **SWOT = Bridge between planning & execution**

Here's a **concise, exam-style bullet point revision** of Case Study 4 & 5, following your preferred format with **key terms bolded, technical concepts, and minimal grammar**:

☑ CASE STUDY 4: FUNCTIONAL LEVEL STRATEGIES – COFFEE RETAILER

1. Functional Strategies for Superior Financial Performance

- **Product Strategy:** Premium roasted coffee, espresso drinks, pastries.
- **Service Strategy:** Superior **customer experience** & service focus.
- **HR Strategy:**
 - Best-in-class hiring & **training programs**.
 - **Employee motivation** through stock options & benefits (even for **part-timers**).
- **Store Design:** Emphasis on **relaxed**, welcoming “third place” experience.
- **Growth Strategy:**
 - **Owned-store model**, limited **franchising**.
 - Strategic **location planning** using **demographics**.
- **Branding:** Coffee as **experience**, not just product → **premium pricing**.

2. Resources, Capabilities & Distinctive Competencies

- **Resources:**
 - Premium coffee supply chain.
 - Capital for store ownership & expansion.
 - Skilled, trained workforce.
- **Capabilities:**
 - Consistent global **store ambiance**.
 - Superior **employee training**.
 - Strong **location analysis**.
- **Distinctive Competencies:**
 - Selling “experience”, not just coffee.
 - High **customer loyalty** (avg 20 visits/month).
 - Innovative HR practices in a **low-wage industry**.

3. Why Prefer Owning Stores?

- **Quality Control:** Full control over **customer experience**.
- **Brand Consistency:** Uniform design, service, product.
- **Long-term Returns:** Higher **ROIC** via direct ownership.
- **Strategic Flexibility:** No franchise limitations in location & ops.

4. Security of Competitive Advantage

- **Sustainable** due to:
 - **High customer loyalty**.
 - Unique **value proposition**.
 - Integrated functional strategies (HR, Ops, Branding).
- Risk from:
 - **Global imitation** (experience-based cafes).
 - Market **saturation**.
 - Cultural differences in newer markets.

☑ CASE STUDY 5: KELLOGG’S – AIMS, OBJECTIVES & STRATEGY

1. Strategic Use of Aims & Objectives

- **Aim:** Promote **healthy balanced lifestyle**.

- **Objectives (SMART):**
 - Promote **physical activity**.
 - Sponsor community **wellness** programs.
 - Use packaging to push '**balance**' messaging.
 - Improve **food labelling**.
 - Drive brand association with **health**.

2. Product Positioning & Branding

- **Brand Power:** High **consumer trust**, premium positioning.
- **Product Range:** 39 cereals + cereal bars; targets all age segments >3 yrs.
- **Positioning Strategy:** Distinct focus on **health, balanced diet**.

3. Tactics to Support Strategy

- **Food Labelling:** Introduced **GDAs** on packaging (nutritional transparency).
- **Community Outreach:**
 - Partnered with **ASA** for swimming sponsorships.
 - Free **pedometers/cyclometers** to encourage walking/cycling.
 - Ran charity campaigns (e.g., **Special K 10,000 Step Challenge**).
- **Education Initiatives:**
 - Sponsored **breakfast clubs**.
 - Funded **Active Living Fund** for local activity projects.

4. Communication Strategy

- **External:**
 - Characters **Jack & Aimee**, leaflets, packaging, website.
- **Internal:**
 - House magazines, **employee pedometers**, newsletters.
 - Encouraged staff lifestyle changes aligned with brand message.

5. Results & CSR Alignment

- Reinforced **brand trust**.
- Linked **CSR to core business strategy**.
- Actively shaped **consumer lifestyle choices**.
- Created **distinct competitive advantage** based on **value-driven engagement**.

Would you like these compiled into a single-page revision sheet format for quick recall before exams?

Here's a **bullet-point summary** of the **McDonald's Porter Five Forces Case Study** in your requested format:

Objective

- Understand **competitive forces** in the **burger market** via **Porter's Five Forces Model**.

Overview

- McD expands **globally** by adapting to **external industry forces**.
- Uses **Porter's 5 Forces**:
1. Rivalry, 2. Buyer Power, 3. Supplier Power, 4. Threat of Substitutes, 5. Threat of New Entrants
- Competition varies by **region** (e.g., **US vs EU market**).

Five Forces Analysis Summary

Force	Intensity
Competitive Rivalry	High
Buyer Power	High
Supplier Power	Low
Substitutes	High
New Entrants	Moderate

1. Competitive Rivalry – HIGH

- **Reasons:**
 - **Many players** in fast food → ↑ **competition**

- **Aggressive marketing** by rivals (Burger King, Wendy's, Subway)
- **Low switching cost** → customers easily shift brands

2. Bargaining Power of Buyers – HIGH

- **Reasons:**
 - **Low switching cost**
 - **Many choices/providers** (local, global, substitutes)
 - **Abundant substitutes** (home-cooked, microwave meals, bakeries)

3. Bargaining Power of Suppliers – LOW

- **Reasons:**
 - **Large no. of suppliers** → less dependency
 - **Low vertical integration** → suppliers don't control distribution
 - **High supply** of raw materials (meat, flour, etc.)

4. Threat of Substitutes – HIGH

- **Reasons:**
 - **Many substitutes** available (home food, artisan bakeries)
 - **Low switching cost**
 - **High performance-to-cost ratio** (good value from substitutes)

5. Threat of New Entrants – MODERATE

- **Reasons:**
 - **Low switching cost** → customers easily try new entrants
 - **Capital cost** for entry is **variable** (easy for small, hard for large)
 - **Brand dev. cost is high** → hard to match McD's brand strength

Strategic Recommendations

- Focus on **rivalry, buyers, and substitutes** – **high intensity** threats.
- Use **4Ps (Marketing Mix)** to retain customers & defend share.
- **Aggressive product innovation** to attract/retain customers.
- **Boost quality standards** to reduce impact of competitors & substitutes.
- Manage suppliers & entry barriers but **lower priority** than above.

Here's a **summary** of the **case study** along with **brief answers** to each of the questions:

Case Summary: Ashwamedha Rudrapeeth Limited (ARL)

- **Industry:** Ayurvedic FMCG Products
- **Founder:** Rudra & friend
- **Mission:** Blend Ayurveda with modern science to offer affordable, hygienic, quality products.
- **Brand Philosophy:** Purpose-driven; rooted in **Swadeshi**, health, yoga, and natural living.
- **USP:**
 - Affordable pricing (15-30% lower)
 - Quick product development cycle
 - Mass & selective targeting strategy
 - Strong franchise & rural distribution
 - Rudra as brand ambassador
- **Distribution:**
 - 2L+ outlets, 7000+ rural stores, 5600 marketing vans
 - 1200 Chikitsalayas, 2500 Arogya Kendras
 - E-commerce + tie-ups with modern retail
- **Promotion:**
 - Word-of-mouth via yoga camps

- YouTube channel with 1000+ videos
- Personal branding of Rudra
- **Turnover Goal:**
 - ₹7000 Cr (current) → ₹21,000 Cr by FY2025
- **Key Products:** Cow Ghee (premium), Shampoo, Hair & Oral Care (₹1500+ Cr combined)

✦ (a) Successful business strategy = multiple elements

A successful business strategy combines:

- **Purpose:** ARL's mission of promoting Ayurveda.
- **Product:** Quality, safe, value-for-money Ayurvedic goods.
- **Pricing:** Penetration pricing (low), except for Cow Ghee (premium).
- **Promotion:** Yoga camps, personal branding, YouTube.
- **Place:** Rural outreach + modern retail + online.
- **People:** Loyal consumer base turned franchisees.
- **Processes:** Fast R&D and product rollout.

→ ARL integrates all these to achieve growth and competitive advantage.

✦ (b) SMART Objectives in ARL context

SMART:

- **Specific** – Expand Ayurveda with quality & reach.
- **Measurable** – Achieve ₹21,000 Cr turnover by FY25.
- **Achievable** – Proven rapid growth & market traction.
- **Realistic** – Backed by strong R&D, branding, demand.
- **Time-bound** – Clear fiscal year targets (FY24, FY25).

→ ARL's goals are aligned with the SMART framework.

✦ (c) "Build quality, assume customers will buy" – Analysis

This strategy (product-oriented) works **only** if:

- There is real **demand** – ARL taps health-conscious, swadeshi buyers.
- The product is **affordable** – ARL prices lower than rivals.
- There's **value perception** – Customers see benefits + trust Rudra.

→ ARL proves this can work *if* backed by communication, availability, and loyalty.

✦ (d) Is ARL's communication strategy effective?

Yes, highly effective:

- **Brand Ambassador:** Rudra builds emotional connect.
- **Yoga Camps:** Combine education + promotion.
- **Word-of-Mouth:** Loyalists promote voluntarily.
- **Digital Presence:** YouTube channel with 1000+ videos.
- **Multi-Channel Strategy:** Mass outreach + personalized engagement.

→ Communication is **trust-based, consistent, and aligned** with values and target audience.

PART II (12CH----60 MARKS)

CH7 SOURCES OF CORPORATE FUNDING

Here's a **concise, bullet-point revision** of the provided text on **Sources of Corporate Funding**, formatted as **exam-friendly notes** with abbreviations, **bolded keywords**, and emphasis on **core points**:

CORPORATE FUNDING – Overview

- **Corporate Finance** = Deals with **sources of funds, capital struct., value max. for shareholders**
- **Goal:** Maximize **shareholder value**
- **Capital Market:** Channel for supply of capital (savers → investors) via **Equity & Debt**
- **Equity** = Shareholders' funds, no repayment
- **Debt** = Borrowed funds, repayment + security + int. cost

- **Optimal Mix (D/E)** ⇒ Minimum cost + Efficient funding

Debt Market in India

- Two segments:
 - **Govt Securities:** Central/State Bonds, T-Bills, ZCBs, FRBs
 - **Corp Securities:** FI Bonds, PSU Bonds, Corp Bonds/Debentures
- **Dominated by Govt securities** (market cap/trading vol.)

SOURCES OF FUNDS

Long-Term Sources

- **Share Capital:** Equity & Preference Shares
- **Debentures/Bonds**
- **Term Loans:** Banks, FIs, Govt
- **Venture Capital**
- **Asset Securitization**
- **Intl Financing:** Euro issue, ADR, GDR, FC Loan

Medium-Term Sources

- **Prof. Capital**
- **Debentures/Bonds**
- **Lease Finance, Hire Purchase**
- **MT Loans:** Banks, FIs, Govt

Short-Term Sources

- **Trade Credit**
- **Factoring**
- **Bill Discounting**
- **Advances from Customers**
- **ST Loans:** Working Capital from Banks
- **Fixed Deposits (≤1 Yr)**
- **Receivables/Payables**

SHARE CAPITAL

Types

- **Equity Shares** = Voting rights, residual profits, real owners
- **Preference Shares** = Fixed dividend + priority over equity for dividend & capital return

Pref. Shares Rights

- Priority in dividend & winding up
- May have:
 - Participation in **excess profits**
 - **Redemption premium**
- Issued often to **FIs, Banks** (stable returns, no market price fluctuation)

GOVERNING LAWS – Share Capital & Debt

1. Companies Act, 2013 + Rules

- **Sec 43:** Only 2 types of share cap: Equity (voting/diff rights), Preference
- **Sec 55:** Pref Shares redemption → Out of profits or fresh issue; **Capital Redemption Reserve (CRR)** required
- **Sec 71:** Issue of **Debentures** incl. convertible options
- Rules:
 - **Rule 9/10:** Pref Shares
 - **Rule 18:** Debentures

2. SEBI (Issue & Listing of Non-Convertible Securities) Reg, 2021

- Applies to:
 - **Public issuance/listing** of debt/NCRPS
 - **Private placement** (if listed)
 - **Listing of Commercial Paper** as per **RBI guidelines**

3. SEBI (LODR) Reg, 2015

- **Listing Agreement** ⇒ Info Disclosure for listed entities
- **Chapter IV/V** ⇒ Apply to **listed NCDs/NCRPS**

4. RBI Guidelines

- **Banks:** Can issue **PNCPS & PDI** for **AT-1 capital**
 - Must absorb loss via **conversion/write-down**