

Strategic Management

DEEPAK CLASSES

SM Notes (Part-B)

New Syllabus

ONLY FOR CMA

CMA Inter Group-2

40 Marks



Section – B [Strategic Management]

- **Module 8 = Introduction**
- **Module 9 = Strategic Analysis and Strategic Planning**
- **Module 10 = Formulation and Implementation of Strategy**
- **Module 11 = Digital Strategy**

Module – 8 Introduction

This Module Includes

Chapter- 1 Introduction to Strategy and Strategic Management

Chapter- 2 Alignment of Strategy with Vision, Mission and Culture

Chapter- 3 Objectives of Strategic Management

Chapter- 4 Organisational Genomics

Chapter- 5 Alignment with Individual Level Objective and Organizational Objective

Chapter- 6 Balanced Score Card

Chapter- 7 EVA – Driven Responsibility Accounting

Chapter-1 Introduction of Strategy and Strategic Management

Strategy

1. The term strategy is derived from the Greek word *strategia*, meaning “generalship’
2. Strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives.
3. While planning a strategy it is essential to consider that decisions are not taken in a vacuum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.
4. Strategy may be defined as the direction and scope of an organisation over the long term, which achieves advantage for the organisation through the configuration of resources within a changing environment and to fulfil stakeholder expectations.

Characteristics of Strategy or Strategic decision.

1. Strategy is likely to be concerned with the long-term direction of an organization.
2. Strategic decisions are normally about trying to achieve some advantage for the organization over competition.
3. Strategic decisions are concerned with the scope of the organization’s activities.
4. Strategy can be seen as matching the resources and activities to the environment in which it operates.
5. Strategy can be seen as stretching an organisation’s resources and competence to create new opportunities or to capitalise on them
6. Strategies may require major resource changes for an organization.
7. Strategic decisions are likely to affect operational decisions.
8. The strategy of an organization is affected not only by environmental forces and resource availability but also by the values and expectations of those who have power in and around the organization.

The consequences of the characteristics of strategy:

- A- likely to be a complex in nature.
- B- Likely to be made in situations of uncertainty.
- C- Likely to demand an integrated approach.
- D- Manage change relationships and networks outside the organization.
- E- Strategic Decisions will very often involve change in organizations.

A typical business firm usually considers three types of strategy.

● *Corporate strategy:*

1. It is concerned with the overall purpose and scope of an organisation and how value will be added to the different parts (business units) and product lines of the organisation.
2. Corporate strategies typically fit within the three main categories of stability, growth and retrenchment.
3. Decisions include investment in diversification, vertical integration, acquisitions, new ventures, the allocation of resources between the different businesses of the firm and divestments.

● *Business strategy:*

1. It is about how to compete successfully in particular markets.
2. It emphasizes improvement of the competitive position of a organization's products or services in the specified industry or market segment served by that business unit.
3. These strategies fit within the two overall categories, namely, competitive and cooperative strategies.

● *Functional strategy or Operational Level Strategy:*

1. It is concerned with how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people.
2. It is concerned with developing and nurturing competence to provide a business unit with a competitive advantage. These strategies are taken at the functional level directed towards maximizing resource productivity.

Red Oceans VS. Blue Oceans

Red Oceans –

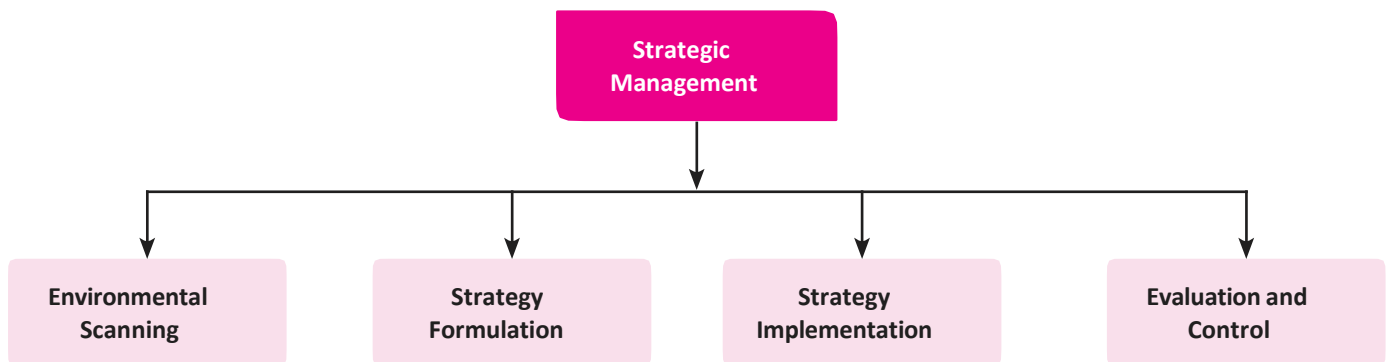
- Red oceans represent all the industries that are currently in existence and are the known market space.
- In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known.
- In a red ocean market or a red ocean strategy, there is a concentrated market and will be highly competitive.
- These are normally found by the small but unpopular market.
- In a red ocean market, the competition would normally be high, and the existing companies compete with each other using competitive methods.
- One of the examples of a red ocean company can be different automobile companies. All the various companies are competing with each other to solve the same problem, or the demand faced by the consumers. A red ocean market is highly competitive and would be riskier for a new company especially a startup.

Blue Oceans –

- The concept of Blue Ocean Strategy was first coined by **W. Chan Kim and Renee Mauborgne** in their book
- According to them Blue oceans denote all the industries which are currently not existence and remain unexplored, unknown and untainted by competition.
- A blue ocean strategy is focused more on the new trends and demands of the consumers in creating a new market based on it.
- Blue oceans are a more unoccupied market and not much known. The blue ocean market is mostly concentrated on providing value and is created based on that.
- In the blue ocean strategy, a new product or service is created which is not available in the market which would solve a problem that is already there in the market. The blue ocean market pays a lot of attention to value and innovation aspects.

Strategic Management

1. It refers to a set of managerial decisions and actions that determines the long term performance of an organisation.
2. Originally called 'corporate planning', the shift from 'corporate planning' to what became termed as 'strategic management' was associated with increasing focus on competition.



Environmental scanning:

1. It refers to the monitoring, evaluating and disseminating of information from the external and internal environments to key people within the organisation.
2. The purpose is to identify the strategic factors both internal and external elements that will shape the future of the organisation.
3. The range of methods and techniques available for environmental scanning is wide.

Strategy Formulation:

1. It refers to the development of long range plans for the effective management of environmental opportunities and threats, in the light of corporate strengths and weaknesses (SWOT).
2. It includes defining the mission, setting objectives, developing strategies and setting policy guidelines.

Strategy Implementation:

1. It is the process by which strategies and policies are put into practise though the development of programs, budgets and procedures.
2. This includes day to day decisions in resource allocation and is typically conducted by the middle and lower level managers with review by the top management.

3. It involves taking actions at the functional, business and corporate levels to execute a strategic plan.
4. Implementations include, for example, putting quality improvement programs, changing the way product is designed, positioning the product differently, market segmentation, expanding through mergers and acquisitions and downsizing the company.

Evaluation and control:

1. It involves the process through which organisational activities and performances are monitored. The actual performances are compared to the desired performances and corrective actions are taken to resolve problems. The process of evaluation and control helps to identify the weakness and lacunae of the previously implemented strategic plan and thereby, stimulates the entire process to begin again

Chapter-2 Alignment of Strategy with Vision, Mission & Culture

Vision:



Corporate Vision
Providing Purpose, Direction and Motivation

Vision is a short and inspiring statement of what your organization intends to become and to achieve at some point in the future.

Corporate Vision may contain commitment to:

- Creating an outstanding value for customers and other stakeholders
- Developing a great new product
- Developing a great company

100 Ventures

The graphic features a yellow arrow pointing upwards with the definition of vision. To the right, a blue rounded rectangle lists three commitments of corporate vision. In the background, there is a photo of two women looking at a laptop. The text '100 Ventures' is written vertically on the right side.

Mission - Definition

- Mission statement is a statement of purpose and function.
- It answers the following questions.
 - Why the organization does exist?
 - What is its value addition?
 - What is its function?
 - How does it want to be positioned in the market and minds of customer?
 - What business is it in?



Objectives-?????

- “*I want to become a good teacher*” is a goal.
- BUT , “*To become a good teacher,what all things do I need to do to ?*” are objectives to become a good teacher.
- To become a good teacher,I should have the subject competence,understanding of the learner,the learning process,and the competence in pedagogy.
- *Objective* is a statement of actions through which an observable change is sought to be brought in the learner.



- Nike: ‘To bring innovation and inspiration to ever athlete in the world.’



- Scotland Yard: ‘to make London the safest major city in the world



- Dabur: ‘Dedicated to the health and well being of every household.’



Infosys: 'To be a globally respected corporation that provides best-of- breed business solutions, leverage

Meaning And Use Of Mission:

1. The term 'mission' implies the fundamental and enduring objectives of an organisation that set it apart from other organisations of similar nature. The mission is a general enduring statement of instruction of an organisation.
2. The corporate mission highlights the organisation self-concept and indicates the nature of product or service to be offered or rendered for fulfillment of the requirements of the customers as also for the community and society as a whole.
3. The mission may, as such, be described as the scope of operations in terms of product, market or the service as well as customers and clients
4. A company's mission describes its purpose and its present business (who we are, what we do and why we are here). It announces what the company is providing to society; either a service or a product.
5. The mission statement of an organisation can be either product oriented or customer oriented.
6. A product-oriented business definition focuses on the characteristics of the products sold and the markets served, not on which kinds of customer needs the products are satisfying
7. A customer –oriented view of a company's business focuses on customer needs rather than a particular product (or solution) for satisfying those needs. A customer-oriented mission statement also assists companies in capitalizing on changes in their environment

Mission statement of some organisations and the nature of the statement



1. **Bharat Gas:** To make Bharat Gas a dominant brand in the segments we market, by becoming trendsetters in customer service, safety and quality. (It is a customer oriented mission statement).



2. **Nirma:** Nirma is a customer focused company committed to consistently offer better quality products and services that maximise value to the customer. (It is a customer oriented mission statement).



Microsoft

3. Microsoft corporation: to empower every person and every organisation on the planet to achieve more. (It is a customer oriented mission statement).

Mission includes

- A definition of products and services the organisation provides.
- Technology used to provide these products and services.
- Types of markets
- Customers need or requirement
- Distinctive Competencies

Defining The Company Mission:

What is a Company Mission?

1. The mission of a business is the fundamental, unique purpose that sets it apart from other firms of its type and identifies the scope of its operations in product and market terms.
2. In short, the mission describes the product, market, and technological areas of emphasis for the business in a way that reflects the values and priorities of the strategic decision makers.

Objectives and Goals

1. We frequently use the term organisation's "objectives and goals", the term "objective and goals" set target of any particular aspect like profit and revenue growth, etc.
2. Here are some common definitions of Objectives.
 - a) Objectives are performance targets which organisations wants as to result or outcomes in the specified periods
 - b) Objectives achievements are used as benchmark of organisation performance and success.
 - c) Objectives are formed from visions and mission statement of organisations.
 - d) Objectives are for long term whereas goals are for short term.

Objectives should possess certain desirable characteristics in order to be effective. They are as follows:

1. Specific:

The first step towards setting objectives is to specify what the company wants to achieve. This involves answer to five specific set of questions namely, what the organisation wants to achieve? Why the company wants to achieve? Who are being involved in the process? Where it wants to achieve and which are the resources and constraints that needs to be identified? Specific objectives are more likely to lead and motivate the managers.

2. *Understandable:*

The objectives should be such that they are understandable to those who are expected to achieve them. Clarity in objectives helps to avoid ambiguity which in turn helps to achieve the desired results.

3. *Measurable:*

Objectives should be precise and measurable. There has to be a standard against which they can judge their performance. It is often considered to be a good practice to quantify objectives rather than to state them in qualitative terms. It helps to measure and control the achievement of the objectives with respect to comparable companies in a particular industry and in general.

4. *Attainable:*

Objectives must be challenging but realistic or attainable. They give all employees an incentive to look for ways of improving the operations of an organisation. If an objective is unrealistic in the challenges it poses, employees may give up; an objective that is too easy may fail to motivate managers and other employees.

5. *Relevant:*

Objectives must be linked to the overall vision and mission of the organisation. There should not be any conflict between the objectives that the management has set with the goals of the organisation. This is a very important task as misalignment between the two can lead to failure in achieving the corporate vision.

6. *Time Bound:*

Objectives should specify a time period. Time constraints tell employees that success requires an objective to be attained by a given date, not after that date. Deadlines can inject a sense of urgency into objective attainment and act as a motivator. However, not all objectives require time constraints.

Organisational culture:

Organisational culture is the 'basic assumptions and beliefs that are shared by members of an organisation, that operate unconsciously and define in a basic taken-for-granted fashion an organisation's view of itself and its environment'. Related to this are taken-for-granted ways of doing things, the routines that accumulate over time. In other words, culture is about that which is taken for granted but none the less contributes to how groups of people respond and behave in relation to issues they face. It therefore has important influences on the development and change of organisational strategy.

Culture's influence on strategy

The taken-for-granted nature of culture is what makes it centrally important in relation to strategy and the management of strategy. There are two primary reasons for this:

- a. **Managing culture:** Because it is difficult to observe, identify and control that which is taken for granted, it is difficult to manage. This is why having a way to analyse culture so as to make it more evident is important.
- b. **Culture as a driver of strategy:** Organisations can be 'captured' by their culture and find it very difficult to change their strategy outside the bounds of that culture. Managers, faced with a changing business environment, are more likely to attempt to deal with the situation by searching for what they can understand and cope with in terms of the existing culture.

Chapter-3 Objectives of Strategic Management

The objectives of strategic management may be listed as under:

- To identify opportunities and adapt resources to exploit the opportunities created.
- To create opportunities by stretching the resources and competences of the organisation and capitalise them.
- To help managers to understand the key relationships among actions, context, and performance by providing the conceptual frameworks.
- To help an organization enjoy competitive advantage.
- To monitor and remain responsive to the demands of key stakeholders.
- To identify the critical success factors and meet the needs and wants of the customers.
- To avoid failure by focusing on the building blocks of competitive advantage (superior efficiency, superior quality, superior innovation and superior responsiveness to customers), instituting continuous improvement and learning, tracking the best industrial practices and using benchmarking.
- To overcome inertia and accept the changes in the ever-changing environment to remain competitive and at times to survive.
- To develop a creative and innovative attitude and to think strategically

Chapter-4 Organizational Genomics

Introduction:-

1. Genomics is the study of all of a person's genes (the genome), including interactions of those genes with each other and with the person's environment.
2. The organization of modern corporations helps in interaction with stakeholders.
3. A stakeholder is any person or group associated with the organization that has a stake in the organization's output. Corporations face a massive challenge in trying to organize, communicate and respond to all of their different stakeholders.
4. The most efficient way for corporations to interact with each different stakeholder group is to establish boundary-spanning departments, which are offices within an organization that interact across boundaries that divide the company between different stakeholders.
5. Department of Public Affairs, investor relations, customer relations, community relations, etc. are some of the examples of boundary- spanning departments. All managers and employees need to be aware of how people behave in order to provide the best working environment.
6. Organizational behaviour is about how people may be motivated to work together in more effective ways. The interaction required to direct a group toward a set of common goals is called organizational communication.

Strategic Leadership

It is about how to effectively manage a company's strategy making process to create competitive advantage. Strategic leaders must strive towards maximising shareholders value by balancing the profit growth and profitability of the organisation. Some of the key qualities that a strategic leader is expected to have are as follows:

1. Strategic leader should be a visionary. He should have a strong sense of direction and a clear and compelling vision of where the organisation should go.
2. A good strategic leader must have the ability to identify and articulate the business model the organisation will use to attain the vision. This requires a fit between the organisational strategies with the organisational vision.
3. A good strategic leader should demonstrate a sense of commitment towards the vision and the business model through his actions and words.
4. He should develop a strong network of both formal and informal sources to remain well informed about whatever is happening in and around the organisation.
5. A good strategic leader should be able recognise and empower subordinates to make decisions. This not only acts as a motivator for the subordinates but also relieves the leader from being overloaded with responsibilities.
6. In this process of delegation, the strategic leader may delegate many important responsibilities to his subordinates but he will not delegate those which are of critical importance to the success of the organisation. A good strategic leader should try to develop a consensus for his ideas among his subordinates rather than attempt to use his authority to force the ideas through.

Emotional Intelligence

In order to estimate someone's psychological capabilities Goleman (1998) used a term called emotional intelligence. Emotional intelligence is a term that Daniel Goleman coined to describe a bundle of psychological attributes that many strong and effective leaders exhibit

1. Self-awareness—the ability to understand one's own moods, emotions, and drives, as well as their effect on others.
2. Self-regulation—the ability to control or redirect disruptive impulses or moods, that is, to think before acting.
3. Motivation—a passion for work that goes beyond money or status and a propensity to pursue goals with energy and persistence.
4. Empathy—the ability to understand the feelings and viewpoints of subordinates and to take those into account when making decisions.
5. Social skills—friendliness with a purpose.

Organizational Change

In any business environment, change should happen. It shows one's commitment to the kind of growth and evolution it takes to stay modern, relevant, and competitive. Countless factors make change inevitable. But what kind of change we are thinking about is important. Change can include things like:

- Introducing new software or updating marketing practices
- Updated business processes
- A full-on restructuring
- Leadership changes
- Updated thinking
- New project management tools
- Budget constraints
- Shifts in strategy

There are countless organizational change management (OCM) methods. Each involves a basic series of steps or practices that could be linear or cyclical in approach. Some of the most popular methods include:

- Kotter 8-Step Process for Leading Change: Create → Build → Form → Enlist → Enable → Generate → Sustain → Institute
- McKinsey & Company's 7-S Framework: Style, Skills, Systems, Structure, Staff, and Strategies = Shared Values & Goals
- Kurt Lewin's Change Model: Unfreeze → Change → Refreeze
- ADKAR Model: Awareness → Desire → Knowledge → Ability → Reinforcement
- The Kubler-Ross Model: Shock → Anger → Bargaining → Depression → Acceptance
- Satir Change Management Model: Late Status Quo → Resistance → Chaos → Integration → New Status Quo
- William Bridges' Transition Model: Ending → Neutral Zone → New Beginnings

However, there is no right or wrong in terms of which method to choose. Any method can facilitate smooth transitions and positive change. The best method depends on the organisation and stakeholder needs and preferences. Methods are generally seen as interchangeable.

Chapter-5 Alignment with Individual Level Objective and Organizational Objective

Introduction

1. Personal objectives refer to the job-specific goals of each individual employee.
2. They are important because they communicate to employees what is important and what is expected of them.
3. Managers usually set between five and seven goals per employee using a mix of those that are activity-based such as number of sales calls per week and/or outcome-based measures such as closed sales in dollar amounts.
4. When completed at the individual level, managers may add more objectives specifically designed to maximize team efforts.
5. The goal is to achieve quantity and quality of effort between individuals and the team.
 - Employee objectives are ways to measure progress and performance for members of a team.
 - These can help employees better understand their roles and help managers guide their teams in achieving important organizational and personal goals.
 - Knowing how to write effective objectives can help leaders and team members create a more productive work environment.
 - Employee objectives are targets that an employee and their manager agree on to measure the employee's job performance.
 - Companies may set new objectives for their employees quarterly, biannually or annually.
 - These objectives provide employees with guidance for their responsibilities that contribute to larger company goals.
 - Employees and managers periodically review the employee's progress toward achieving their goals.

SMART

To create effective objectives, make sure they're specific, measurable, attainable, relevant and time-based. These guidelines are often abbreviated using the acronym SMART. Here are more details regarding the SMART goal framework:

- **Specific:** Specific goal provides the employee with the exact result needed for their performance to be successful. A clear objective can optimize productivity and effectiveness.
- **Measurable:** Successful goals can usually be measured using metrics that determine an employee's success or progress. A quota, for example, is one way to measure an employee's success.
- **Attainable:** Effective goals are often those which are ambitious and also possible to achieve. Consider if and how an employee can attain their objectives with the tools and resources available to them within a specified time frame.

- **Relevant:** A goal that contributes to the larger goals of a company. Consider the upward impact of certain goals, like how they tie to bigger company strategies like employees achieving like how they tie to strategies like
- **Time Based:** Set realistic timelines for complete their tasks. If a task is ongoing, you might consider your next review as a deadline for achieving objectives. SMART goals help clarify responsibilities and ensure both manager and what to expect. They can help develop employees' skills and move goals forward toward larger, higher-level goals.

SMART GOALS

SPECIFIC

Plan effectively with specific targets in mind.



MEASUREABLE

Track your progress and reevaluate along the way.



ATTAINABLE

Set realistic goals that are challenging but achievable.



RELEVANT

Ensure the goal serves a relevant purpose.



TIME

Specify a deadline, monitor progress and reevaluate.



FAST framework

1. It was in the year 1954 when Peter Drucker, the great management guru, introduced “management by objectives”.
2. Management by objectives according to Drucker is an approach where employees would agree with their boss on a set of goals and work toward achieving those objectives throughout the year.
3. The importance of goal setting and accomplishment of objectives has been the central for managers who follow a well-established set of practices.
4. Traditionally the managers aspired to make their goals SMART, by ensuring they are specific, measurable, achievable, realistic, and time-bound.
5. However, over the past few decades, a handful of leading companies including Google, Intel, etc. have pioneered and refined an alternative approach to harness the power of goals to drive and align action.
6. The four core principles that underpin effective goal systems can be summarised into the acronym FAST. Goals should be embedded in frequent discussions; ambitious in scope;
7. Modern concept views goals to be FAST and not SMART.

Acronym	Term	Definition	Advantages
F	Frequently discussed	Goals should be frequently discussed in order to see the progress, allocate resources as and when needed, prioritise of initiatives and provide feedback	<ul style="list-style-type: none">● Gives guidance for important decisions.● Helps employees remain focused on the most important matters.● Links performance feedback to concrete goals.● Evaluates the progress and helps in course corrections.
A	Ambitious	Goals should be challenging or ambitious but not impossible to achieve	<ul style="list-style-type: none">● Motivates performance of individuals and teams towards goal.● Helps in minimising the risk of downplaying the achievements of the subordinates.● Focuses on the innovative ways to achieve goals.

S	Specific	Goals should be translated into specific metrics so that there is clarity in achieving the goals	<ul style="list-style-type: none"> ● Clearly mentions what the employees are expected to deliver. ● Helps in easy identification of deviations from the goals and offers quick course corrections. ● Enhances performance of individuals and teams.
T	Transparent	Goals and their achievements should be made public for all employees to see.	<ul style="list-style-type: none"> ● Use of peer pressure to perform on goals. ● Clearly showcases the activities and contribution of the employees towards goal achievement. ● Helps employees understand the agenda of other employees and the teams. ● Helps to identify the strategies those are redundant and are not aligned to the overall organizational goals

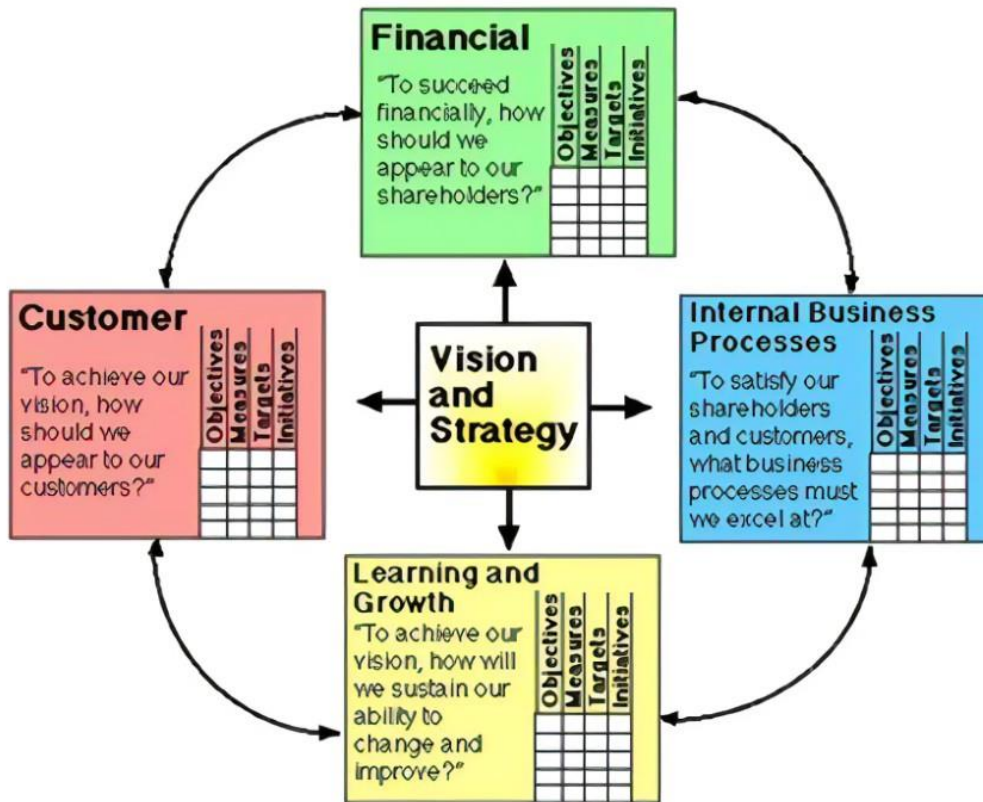
Performance objectives

Performance objectives for employees are set so that they can know what is expected of them and understand what they are accountable for. They can be performance-based, or they can be development-led. The following are some of the examples of performance objectives for employees.

- **Productivity:** This has to do with the amount of work that an employee is expected to perform within a specific time. This is one of the most important performance objectives for employees. In the service industry such as banking, this could be the number of clients that a service consultant has assisted. This helps to increase productivity within a business, and it can increase sales and revenue.
- **Quality and efficiency:** This has to do with the manner of performing activities. It takes productivity further to deal with how fast the worker can perform a task. This measure also takes quality into consideration. Not only should the service be fast, but it must be of good quality. This is one of the most vital performance objectives for employees because it makes them pay more attention to the quality of their work which reduces human error while increasing productivity. ‘
- **Education and self-development:** This performance objective for employees considers the needs of workers. It focuses on the goals workers set to develop themselves. It can include things such as an employee learning a new skill, doing a new course or simply job-shadowing someone. This makes workers more valuable due to continuous growth in their respective fields. This also encourages employers to see how committed workers are to their own growth and personal development

Chapter-6 Balance Score Card

The balanced scorecard: a framework to translate a strategy into operational terms. Source: Robert S. Kaplan and David P. Norton, "Using the balanced scorecard as a strategic management system," Harvard Business Review January. February 1996



Adapted from Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," Harvard Business Review (January-February 1996): 76.



Financial Perspective

Financial result and growth
Key Financial parameters and performance (ROE, ROCE)
Higher Profit Margin
Improved Cash flow
Lower Bad loans and lower debt
Net Interest Margin
Reduced overhead Expenses
Proper Revenue Mix

Learning and Growth

Develop Critical Skills and Knowledge
Proper Knowledge Management
Provide Strategic Information to all
Align Personal Goals with Company goals
Employee growth and turnover
Employee Satisfaction and Retention

Balanced Scorecard

Customers

Increase Customer Satisfaction
Increase Customer Loyalty
Retention of key customers
Sales revenue per customer
Competitive pricing and product offering
High Quality Service
Customer preference compared to competitors

Internal Business Processes

Cross-Sell Products
Improve Operational efficiency and minimize Problems
Proper Customer relationship management
Higher success rate in converting business opportunities
Fast business decisions and approvals
Proper work culture and higher employee confidence

Chapter-7 EVA – Driven Responsibility Accounting

1. Profit is the surplus of revenues over costs available for distribution to the owners of the firm.
2. The transition from accounting profit to economic profit was triggered due to a major problem of accounting profit as it combines two types of returns: the normal return to capital that rewards investors for the use of their capital; and economic profit, which is the pure surplus available after all inputs (including capital) have been paid for.
3. Economic profit represents a purer and more reliable measure of profit that is a better measure of performance. In order to distinguish economic profit from accounting profit, economic profit is often referred to as rent or economic rent.
4. A widely used measure of economic profit is economic value added (EVA), devised and popularised by the New York consulting firm Stern Stewart & Company.
5. $EVA = \text{Net Operating Profit After Tax (NOPAT)} - \text{Cost Of Capital}$

Cost of capital is calculated as: capital employed multiplied by the weighted average of capital (WACC).

6. Economic profit has two main advantages over accounting profit as a performance measure.
 - First, it sets a more demanding performance discipline for managers. As Stern Stewart's calculations show, many major corporations' apparent profitability disappears once cost of capital is taken into account.
 - Second, using economic profit improves the allocation of capital between the different businesses of the firm by taking account of the real costs of more capital intensive businesses.

Important Question

Module- 8 Introduction

Explain the meaning of Strategy and its characteristics?

1. The term strategy is derived from the Greek word *strategia*, meaning “generalship’
2. Strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives.
3. While planning a strategy it is essential to consider that decisions are not taken in a vacuum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.
4. Strategy may be defined as the direction and scope of an organisation over the long term, which achieves advantage for the organisation through the configuration of resources within a changing environment and to fulfil stakeholder expectations.

Characteristics of Strategy or Strategic decision.

1. Strategy is likely to be concerned with the long-term direction of an organization.
2. Strategic decisions are normally about trying to achieve some advantage for the organization over competition.
3. Strategic decisions are concerned with the scope of the organization’s activities.
4. Strategy can be seen as matching the resources and activities to the environment in which it operates.
5. Strategy can be seen as stretching an organisation’s resources and competence to create new opportunities or to capitalise on them
6. Strategies may require major resource changes for an organization.
7. Strategic decisions are likely to affect operational decisions.

The strategy of an organization is affected not only by environmental forces and resource availability but also by the values and expectations of those who have power in and around the organization

“A typical business form usually considers three types of Strategy” – Discuss.

A typical business firm usually considers three types of strategy

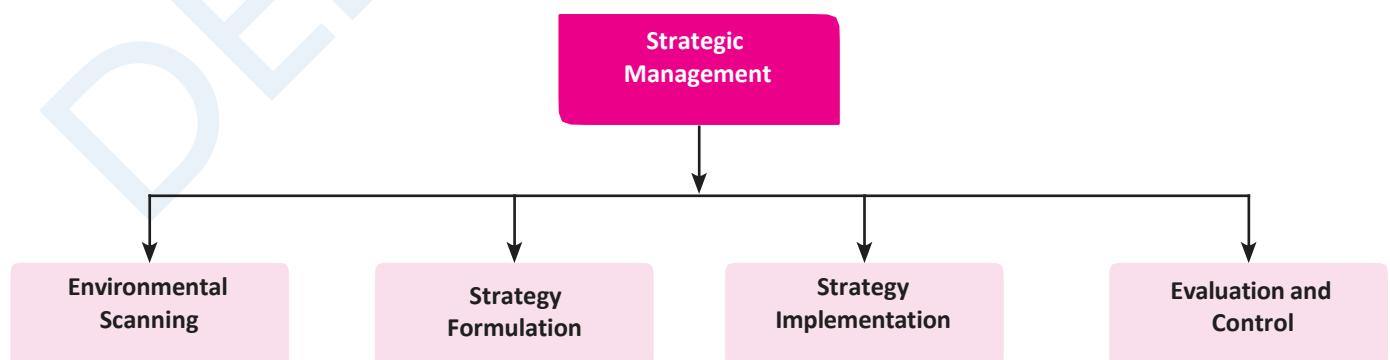
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product lines of the organisation. Corporate strategies typically fit within the three main categories of stability, growth and retrenchment. Decisions include investment in diversification, vertical integration, acquisitions, new ventures, the allocation of resources between the different businesses of the firm and divestments.

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3. Functional strategy or Operational Level Strategy: It is concerned with how the component parts of an organisation deliver effectively the corporate and business level strategies in terms of resources, processes and people. It is concerned with developing and nurturing competence to provide a business unit with a competitive advantage. These strategies are taken at the functional level directed towards maximising resource productivity. It may be mentioned that organisations use all the three types of strategies simultaneously. The term 'hierarchy of strategy' is commonly used to explain the nesting of one strategy within another so that they complement and support one another. It also refers to the grouping of strategies by level in the organisation. Functional strategies support business strategies, which in turn support the corporate strategy.

What do you mean by Strategic management and its Characteristics?

1. It refers to a set of managerial decisions and actions that determines the long term performance of an organisation.
2. Originally called 'corporate planning', the shift from 'corporate planning' to what became termed as 'strategic management' was associated with increasing focus on competition.



- **Environmental scanning:**

1. It refers to the monitoring, evaluating and disseminating of information from the external and internal environments to key people within the organisation.
2. The purpose is to identify the strategic factors both internal and external elements that will shape the future of the organisation.
3. The range of methods and techniques available for environmental scanning is wide.

- **Strategy Formulation:**

1. It refers to the development of long range plans for the effective management of environmental opportunities and threats, in the light of corporate strengths and weaknesses (SWOT).
2. It includes defining the mission, setting objectives, developing strategies and setting policy guidelines.

- **Strategy Implementation:**

1. It is the process by which strategies and policies are put into practice through the development of programs, budgets and procedures.
2. This includes day to day decisions in resource allocation and is typically conducted by the middle and lower level managers with review by the top management.
3. It involves taking actions at the functional, business and corporate levels to execute a strategic plan.
4. Implementations include, for example, putting quality improvement programs, changing the way product is designed, positioning the product differently, market segmentation, expanding through mergers and acquisitions and downsizing the company.

- **Evaluation and control:**

It involves the process through which organisational activities and performances are monitored. The actual performances are compared to the desired performances and corrective actions are taken to resolve problems. The process of evaluation and control helps to identify the weakness and lacunae of the previously implemented strategic plan and thereby, stimulates the entire process to begin again

What do you mean by Emotional Intelligence?

In order to estimate someone's psychological capabilities Goleman (1998) used a term called emotional intelligence. Emotional intelligence is a term that Daniel Goleman coined to describe a bundle of psychological attributes that many strong and effective leaders

exhibit

1. Self-awareness—the ability to understand one’s own moods, emotions, and drives, as well as their effect on others.
2. Self-regulation—the ability to control or redirect disruptive impulses or moods, that is, to think before acting.
3. Motivation—a passion for work that goes beyond money or status and a propensity to pursue goals with energy and persistence.
4. Empathy—the ability to understand the feelings and viewpoints of subordinates and to take those into account when making decisions.
5. Social skills—friendliness with a purpose.

Write the objectives of strategic Management?

1. To identify opportunities and adapt resources to exploit the opportunities created.
2. To create opportunities by stretching the resources and competences of the organisation and capitalise them.
3. To help managers to understand the key relationships among actions, context, and performance by providing the conceptual frameworks.
4. To help an organisation enjoy competitive advantage.
5. To sustain and improve the competitive position by the deployment and acquisition of appropriate resources and by monitoring and responding to environmental changes.
6. To monitor and remain responsive to the demands of key stakeholders.
7. To identify the critical success factors and meet the needs and wants of the customers.
8. To avoid failure by focusing on the building blocks of competitive advantage (superior efficiency, superior quality, superior innovation and superior responsiveness to customers), instituting continuous improvement and learning, tracking the best industrial practices and using benchmarking.
9. To overcome inertia and accept the changes in the ever-changing environment to remain competitive and at times to survive.
10. To develop a creative and innovative attitude and to think strategically.

Explain SMART Framework?

To create effective objectives, make sure they’re specific, measurable, attainable, relevant and time-based. These guidelines are often abbreviated using the acronym SMART. Here are more details regarding the SMART goal framework:

- **Specific:** Specific goal provides the employee with the exact result needed for their

performance to be successful. A clear objective can optimize productivity and effectiveness.

- **Measurable:** Successful goals can usually be measured using metrics that determine an employee's success or progress. A quota, for example, is one way to measure an employee's success.
- **Attainable:** Effective goals are often those which are ambitious and also possible to achieve. Consider if and how an employee can attain their objectives with the tools and resources available to them within a specified time frame.
- **Relevant:** A relevant objective contributes to the larger goals of a company. Consider the upward impact of employees achieving certain goals, like how they tie to bigger company strategies like growth.
- **Time Based:** Set realistic timelines for employees to complete their tasks. If a task is ongoing, you might consider your next review as a deadline for achieving objectives.

SMART goals help clarify responsibilities and ensure both manager and employee knows what to expect. They can help develop employees' skills and move goals forward toward larger, higher-level goals.

Explain FAST framework?

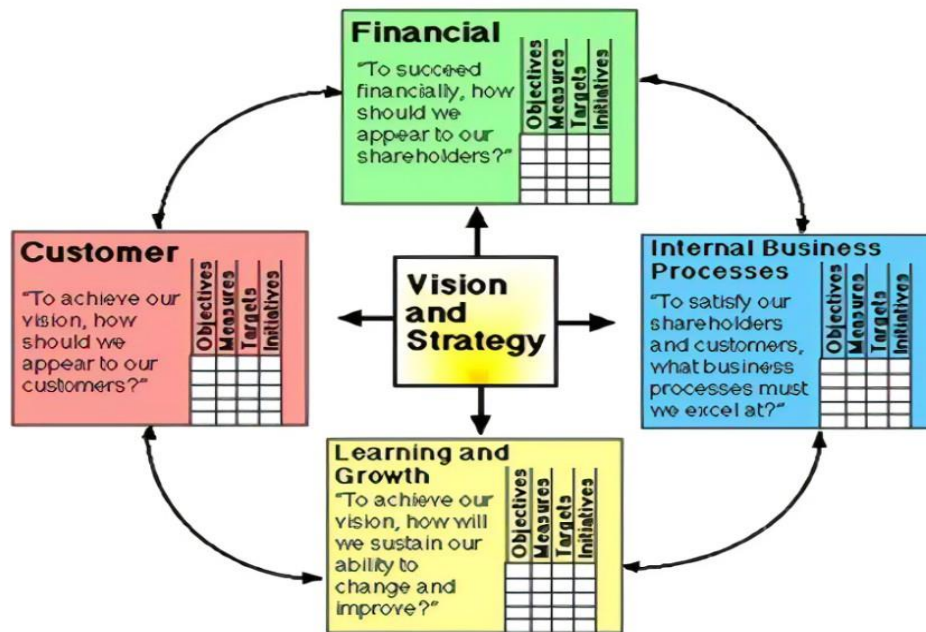
1. It was in the year 1954 when Peter Drucker, the great management guru, introduced "management by objectives".
2. Management by objectives according to Drucker is an approach where employees would agree with their boss on a set of goals and work toward achieving those objectives throughout the year.
3. The importance of goal setting and accomplishment of objectives has been the central for managers who follow a well-established set of practices.
4. Traditionally the managers aspired to make their goals SMART, by ensuring they are specific, measurable, achievable, realistic, and time-bound.
5. However, over the past few decades, a handful of leading companies including Google, Intel, etc. have pioneered and refined an alternative approach to harness the power of goals to drive and align action.
6. The four core principles that underpin effective goal systems can be summarised into the acronym FAST. Goals should be embedded in frequent discussions; ambitious in scope;
7. Modern concept views goals to be FAST and not SMART.

Acronym	Term	Definition	Advantages
F	Frequently discussed	Goals should be frequently discussed in order to see the progress, allocate resources	<ul style="list-style-type: none"> ● Gives guidance for important decisions. ● Helps employees remain

		as and when needed, prioritise of initiatives and provide feedback	<p>focused on the most important matters.</p> <ul style="list-style-type: none"> ● Links performance feedback to concrete goals. ● Evaluates the progress and helps in course corrections.
A	Ambitious	Goals should be challenging or ambitious but not impossible to achieve	<ul style="list-style-type: none"> ● Motivates performance of individuals and teams towards goal. ● Helps in minimising the risk of downplaying the achievements of the subordinates. ● Focuses on the innovative ways to achieve goals.
S	Specific	Goals should be translated into specific metrics so that there is clarity in achieving the goals	<ul style="list-style-type: none"> ● Clearly mentions what the employees are expected to deliver. ● Helps in easy identification of deviations from the goals and offers quick course corrections. ● Enhances performance of individuals and teams.
T	Transparent	Goals and their achievements should be made public for all employees to see.	<ul style="list-style-type: none"> ● Use of peer pressure to perform on goals. ● Clearly showcases the activities and contribution of the employees towards goal achievement. ● Helps employees understand the agenda of other employees and the teams. ● Helps to identify the strategies those are redundant and are not aligned to the overall organizational goals

Explain the concept of Balance Score Card

The balanced scorecard: a framework to translate a strategy into operational terms. Source: Robert S. Kaplan and David P. Norton, "Using the balanced scorecard as a strategic management system," Harvard Business Review January. February 1996



Adapted from Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," Harvard Business Review (January-February 1996): 76.



DEEPAK CLASSES

Module 9 Strategic Analysis and Strategic Planning

This Module Includes

Chapter- 1 Analysis of Business Environment

Chapter- 2 PESTEL, Value Chain and Porter's 5 Framework

Chapter- 3 SWOTC Analysis (Industry Sector and Company)

Chapter- 4 Portfolio Analysis and BCG Matrix

Chapter- 5 Stages in Strategic Planning

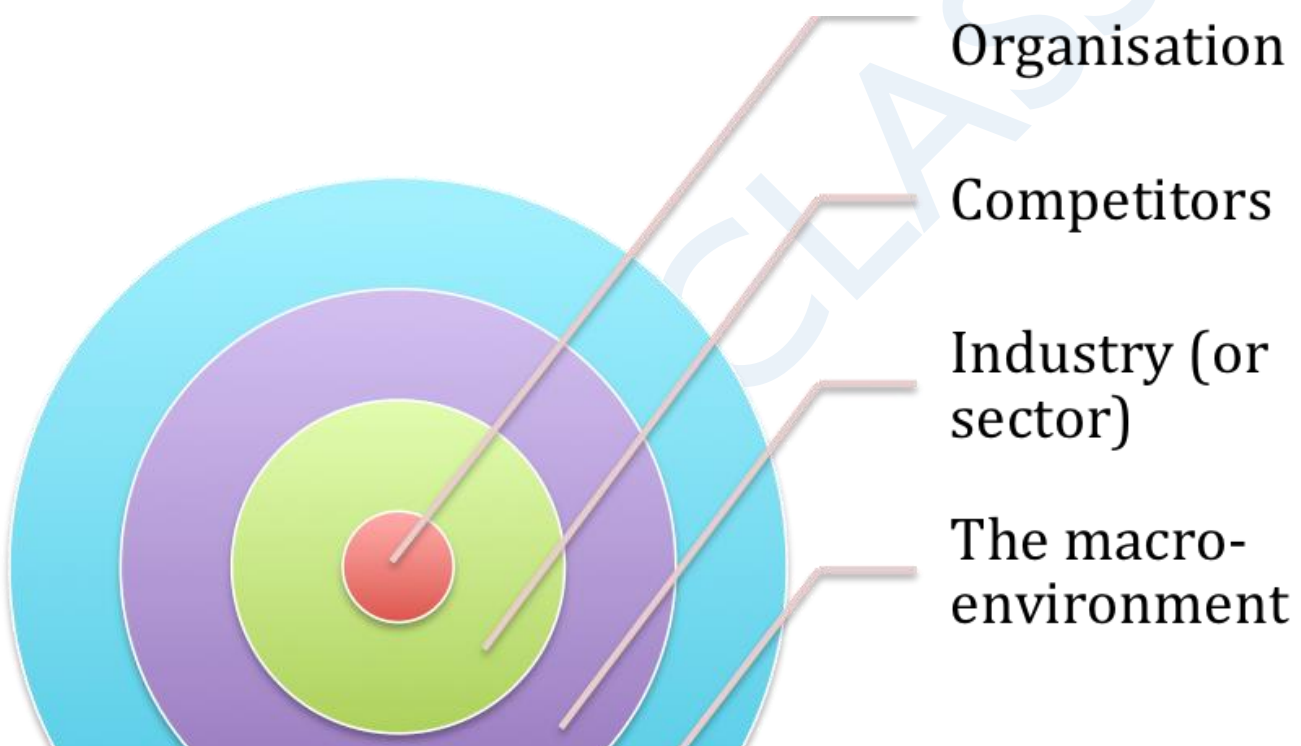
Chapter- 6 Alternatives in Strategic Planning

Chapter- 1 Analysis of Business Environment

Introduction

1. Business environment refers to the sum total of all the conditions, events and influences in and around an organization that affects it hence, a clear understanding of business environment is of crucial importance.
2. The very survival of an organization depends on its environment. However, the environment is also the source of threats for example, hostile shifts in market demand, new regulatory requirements, innovations in technology or the entry of new competitors.
3. Environmental change can be both an opportunity as well as a threat to an organization.
4. It is vital that managers analyses their environments carefully in order to anticipate and if possible influence environmental change.

- The macro-environment is the outermost and the highest-level layer. This consists of broad environmental factors that impact to a greater or lesser extent on almost all organisations.
- Industry, or sector, forms the next layer with this broad general environment. This is made up of organisations producing the same products or services.
- Competitors and markets are the most immediate layer surrounding organisations. Within most industries or sectors there will be many different organisations with different characteristics and competing on different bases, some closer to a particular organisation, some more remote.



Characteristics of Business Environment

Business environment exhibits many characteristics. Some of the important characteristics are as follows:

1. Environment is complex: The business environment happens to be very complex as it comprises of a number of factors namely, events, conditions and influences arising from different sources interacting with each other to create entirely new sets of influences. It is indeed difficult to instantly say what factors constitute a given environment. Environment is a complex phenomenon and it is easier to understand it in segments or compartments rather than grasp in totality.
2. Environment is dynamic: The changing nature of environment is a constant. The dynamism of the environment is largely due to large number of factors that continuously influences its character and shape.
3. Environment is Multi-faceted: The perception of the observer is very important to determine the

shape and character of the environment. Changes in the environment may be perceived differently by different individuals. The changes and developments may be considered to be an opportunity to one and a threat to others.

4. Environment has a far-reaching impact: The impact of environment on an organisation is huge. It critically underpins the growth and profitability of an organisation. Any changes in the environment affect the organisation in more ways than one. The very survival and existence of an organisation is critically dependent on its environment.

Chapter- 2 PESTEL, Value Chain and Porter's 5 Framework

PESTEL

The PESTEL framework is an extension of the PEST strategic framework, one that includes additional assessment of the Environmental and Legal factors that can impact a business. The PESTEL framework shows some of the macro-environmental influence which might affect organizations. It focuses on the six principal components of strategic significance in the macro-environment namely, political, economic, social, technology, environmental and legal forces.

● Political factors

These factors determine the extent to which a government may influence the economy or a certain industry. For example, a government may impose a new tax or duty due to which entire revenue generating structures of organizations might change. Political factors include tax policies, Fiscal policy, trade tariffs, etc. that a government may levy around the fiscal year and it may affect the business environment (economic environment) to a great extent.

● Economic Factors

These factors are determinants of an economy's performance that directly impacts a company and have resonating long term effects. For example, a rise in the inflation rate of any economy would affect the way companies price their products and services. Adding to that, it would affect the purchasing power of a consumer and change demand/supply models for that economy. Economic factors include inflation rate, interest rates, foreign exchange rates, economic growth patterns, etc. It also accounts for the FDI (foreign direct investment) depending on certain specific industries who're undergoing this analysis.

● Socio-cultural factors

These factors scrutinize the social environment of the market, and gauge determinants like cultural trends, demographics, population analytics, etc. An example of this can be buying trends for Western countries like the US where there is high demand during the Holiday season.

● Technological factors

These factors pertain to innovations in technology that may affect the operations of the industry and the market favorably or unfavorably. This refers to automation, research and development, and the amount of technological awareness that a market possesses.

● Environmental factors

They include protection laws, waste disposal, energy consumption, weather, climate, climate change and associated factors like water shortages. These factors can directly impact industries such as insurance, farming, energy production, and tourism. They may have an indirect but substantial effect on other industries such as transportation and utilities.

● Legal

These factors have both external and internal sides. There are certain laws that affect the business environment in a certain country while there are certain policies that companies maintain for themselves. Legal analysis takes into account both of these angles and then charts out the strategies in light of these legislations. For example, consumer laws, safety standards, labor laws, etc.

PORTER'S FIVE FORCES FRAMEWORK

The five forces framework helps to identify the sources of competition in an industry or sector. When using this framework to understand competitive forces it is essential to keep in mind the following:

- It must be used at the level of *strategic business units* and not at the level of whole organization.

This is because organizations are diverse in their operations and markets.

- The framework must not be used just to give a snapshot in time. It is important not just to describe these forces but also to understand how they can be countered and overcome in the future.
- These competitive forces will not only be subject to steady changes into the future but, more importantly, the discontinuities caused by changes in the macro-environment.
- The five forces are independent of each other. Pressures from one direction can trigger off changes in another in a dynamic process of shifting sources of competition.
- Competitive behaviour may be concerned with disrupting these forces and not simply accommodating them.

The five forces are discussed hereunder: Risk of Entry by Potential Competitors

Threat of entry will depend on the extent to which there are barriers to entry. Barriers to entry are factors that need to be overcome by new entrants if they are to compete successfully. These should be seen as providing delays to entry and not as permanent barriers. The typical barriers are:

Economies of Scale

Economies of scale arise when unit costs fall as a firm expands its output. Sources of scale economies include cost reductions gained through mass producing a standardised commodity, discounts on bulk purchases of raw material inputs and component parts, the advantages gained by spreading fixed production costs over a large production volume and the cost savings associated with spreading marketing and advertising costs over a large volume of output. If these cost advantages are significant then a new company that enters the industry and produces on a small scale suffers a significant cost disadvantage relative to established companies.

Brand Loyalty

Brand loyalty exists when consumers have a preference for the products of established companies. A company can create a brand loyalty through continuous advertising of its brand-name products and company name, patent protection of products, product innovation achieved through company research and development programs, an emphasis on high product quality and good after sales service.

Absolute cost advantages

Absolute cost advantages arise from three sources namely,

- (a) superior production operations and processes due to accumulated experience, patents, or secret processes,
- (b) control of particular inputs required for production, such as labour, materials, equipment,

or management skills, that are limited in their supply; and

(c) access to cheaper funds because existing companies represent lower risks than new entrants. If established companies have absolute cost advantages, the threat of entry as a component of five forces is weaker.

Customer Switching Costs

Switching costs arise when it cost a customer time, energy, and money to switch from the products offered by one established company to the products offered by a new entrant. When switching costs are high, customers can be locked in the product offerings of established companies, even if new entrants offer better products.

Government Regulation

Legal restraints on competition vary from patent protection, to regulation of markets, through to direct government action. Of course, managers in the hitherto protected environments might face the pressures of competition for the first time if governments remove such protection. Historically, government regulation has constituted a major barrier into many industries

Competitive Rivalry

Competitive rivals are organisations with similar products and services aimed at the same customer group. The competitive struggle can be fought using price, product, design, advertising and promotion spending, direct selling efforts, and after-sales service and support. More intense rivalry implies lower prices or more spending on non-price competitive weapons or both. The intensity of rivalry among established companies within an industry is largely a function of the factors such as:

- (i) **The balance between the competitor**
- (i) **The level of industry demand**
- (ii) **In industries where fixed costs are high**
- (iii) **If the addition of extra capacity is in large increments**
- (iv) **The level of differentiation plays an important role.**
- (v) **Exit barriers are economic, strategic and emotional factors that prevent companies from leaving an industry.**

The Bargaining Power of the Buyers

The bargaining power of the buyers refers to the ability of buyers to bargain down prices charged by companies in the industry or to raise the costs of companies in the industry by demanding better quality products and services. Buyer power is likely to be high when some of the following conditions prevail

- (i) **The product or service that the industry supplies comprise a large number of small operators.**

- (ii) There is a concentration of buyers, particularly if the volume purchases of the buyers are high.
- (iii) When the supply industry depends on the buyers for a large percentage of its total orders.
- (iv) There are alternative sources of supply, perhaps because the product or service requires is undifferentiated between suppliers or when the deregulation in the markets spawns new competitors.
- (v) When switching costs are low so that the buyers can play off the supplying companies against each other to force down process.
- (vi) There is a threat of backward integration by the buyer (e.g. by acquiring a supplier) if satisfactory prices or quality from suppliers cannot be obtained.

The Bargaining Power of the Suppliers

The bargaining power of the suppliers refers to the ability of suppliers to raise input prices or to raise the costs of the industry in other ways. Supplier power is likely to be high when some of the following conditions prevail

- (i) The product that the suppliers sell has few substitutes and is vital to the companies in the industry.
- (ii) There is a concentration of suppliers rather than a fragmented source of supply.
- (iii) The brand of the supplier is powerful.
- (iv) The supplier's customers are highly fragmented.
- (v) Supplier's can threaten to enter their customer's industry and use their inputs to produce products that would compete directly with those of companies already in the industry.
- (vi) Companies in the industry cannot threaten to enter their supplier's industry and make their own inputs as a tactic for lowering the price of inputs.

The Threat of Substitutes

Substitute products refer to the products of different businesses or industries that can satisfy similar customer needs. Substitution reduces demand for a particular class of products as customers watch to the alternatives. Substitution may take several forms:

- (i) There could be product for product substitution for e.g., email substitution for a postal service.
- (ii) There may be substitution of need by a new product or service, rendering an existing product or service redundant.
- (iii) Generic substitution occurs where products or services compete for disposable income.

Andrew Grove, former CEO of Intel, has argued that Porter's 5 forces model ignores a sixth force: the power, vigour, and competence of complementors. Complementors are companies that sell products that add value to the products of companies in industry because when used *together*, the products better satisfy customer demands. The complementors to the personal computer industry are the companies that make software applications to run on those machines. The greater the supply of high quality software applications to run on personal computers, the greater will be the value of personal computers to customers.

VRIO Framework

The VRIO framework, as given by Barney, helps an organisation to evaluate its competencies with the help of

the following questions:

- **Value:** It questions whether the firm's competencies provide customer value and competitive advantage or not. It should be mentioned that threshold competencies only help a firm to exist in business and do not provide any competitive advantage. Competitive advantage comes from core competencies.
- **Rareness:** It questions the extent to which the competencies of the firm are rare. In other words, whether the competitors or the rivals possess the same competencies or not. The rarity component can help organisations to be competitively superior compared to its rivals.
- **Imitability:** One of the factors on which the durability of competitive advantage depends is the barriers to imitation. The greater are the barriers the more durable will be the firm's competitive advantage. Tangible resources are easy to imitate whereas intangible resources such as reputation, capabilities, marketing strategies and technologies are difficult to imitate.
- **Organisation:** It refers to the level at which a firm is organised to utilise its resources. A firm where employees are able to take more risks, bring innovation and get rewarded is in a better situation in terms of utilisation of firm's resources. Having an organised structure is fundamental to the optimal utilisation of resources

The Value Chain

The value chain describes the categories of activities within and around an organisation, which together create a product or service. The concept was developed in relation to competitive strategy by Michael Porter. The term value chain refers to the idea that a company is a chain of activities that transforms inputs into outputs that customer's value. The transformation process involves both primary activities and support activities that add value to the product. Activities can be broadly divided into two types namely, primary activities and secondary or support activities.

Primary activities are directly concerned with the creation or delivery of a product or service. For example, for a manufacturing business the primary activists are as follows:

- Inbound logistics are activities concerned with receiving; storing and distributing inputs to the product or service including materials handling, stock control, transport, etc.
- Operations transform these inputs into the final product or service. Operations include machining, packaging, assembly, testing, etc.
- Outbound logistics collect, store and distribute the product to customers, for example warehousing, materials handling, distribution, etc.
- Marketing and sales provide the means whereby consumers/users are made aware of the product or service and are able to purchase it. This includes sales administration, advertising and selling.
- Service includes those activities that enhance or maintain the value of product or service, such as installation, repair, training and spares.

Support activities help to improve the effectiveness or efficiency of primary activities. The following are the support or secondary activities:

- Procurement: It refers to the processes that occur in many parts of the organisation for acquiring the various resource inputs to the primary activities.
- Technology development: All value activities have a 'technology', even if it is just know-how. Technologies may be concerned directly with a product or with processes or with a particular resource.
- Human resource management: This transcends all primary activities. It is concerned with those activities involved in recruiting, managing, training, developing and rewarding people within the organisation.
- Infrastructure: The formal systems of planning, finance, quality control, information management, and the structures and routines that are part of an organisation's culture.

In the value chain process the value can be added early in the value chain, i.e. upstream and later in the value chain, i.e. downstream.

Chapter- 3 SWOTC Analysis (Industry Sector and Company)

SWOTC Analysis

S = Strength
W = Weaknesses
O = Opportunities
T/C = Threats or Challenges

1. SWOT analysis is a technique developed at Stanford in the 1970s, frequently used in **strategic planning**.
2. SWOT is an acronym for **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats and is a structured planning method that evaluates those four elements of an organization, project or business venture.
3. A SWOT analysis is a simple, but powerful, framework for leveraging the organization's strengths, improving weaknesses, minimizing threats, and taking the greatest possible advantage of opportunities.
4. SWOT analysis is a process where the management team identifies the internal and external factors that will affect the company's future performance. It helps us to identify of what is happening internally and externally, so that you can plan and manage your business in the most effective and efficient manner.
5. While finalising the corporate plan together with corporate objectives, growth strategies, it would be necessary to make a review of the corporate strengths and weaknesses in connection with it's mission and objectives. This is an important managerial task linked with corporate planning process.

Corporate strengths and weaknesses can be broadly enumerated as under:

Corporate Strengths:

- Financially very sound
- Good products and product-mix with high demand including future prospects
- Full capacity utilisation, locational advantages
- Good infrastructures
- Good industrial relations
- No political interference
- Good performance in production and services with consistent records
- Good raw materials base

- Incentives from State Government
- Good relation with Government departments
- Technologically rich and with expertise

These are the corporate strengths within and outside the organisation.

Corporate Weaknesses:

Similar to Corporate strengths, there may be corporate weaknesses too. These may be enumerated as under:

- Under-utilisation of capacity due to economic slump
- High debt burden in the capital structure
- Poor product-mix
- Lack of managerial strengths
- Technology gap
- Demand gap
- Poor infrastructures
- Raw materials source at a distance
- Lack of latest information technology
- Competition war

Both corporate strength and corporate weaknesses are examined and reviewed together in connection with corporate mission and objectives. A balanced and appropriate mix from both strengths and weaknesses is made in order to formulate a good corporate plan, which can be achieved and fulfilled during its entire plan period

Now we outline the ‘opportunities’ and ‘threats’

Opportunities:

- Seasonal/climatical demand of products
- Global markets for the company’s products/services (Export opportunities)
- To explore the markets in the undeveloped/under-developed/developing states/places
- To avail of the incentives/concessions declared by Central and State Governments
- Diversifications opportunities
- Mergers/acquisition opportunities

- Good home market available due to boost in the economy
- Liberalised policies of the Government both at Centre as well as State level for the individual production and industrial developments

Similar to opportunities, there may be threats too prevailing from time to time, which must be examined and necessary action taken to be free from these or to solve these prudently so that loss to the organisation may be minimum. The probable threats, which may arise or be faced by the organisation, are listed out as under

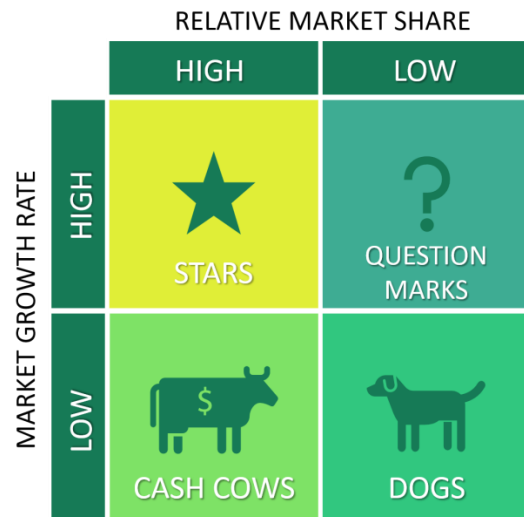
Threats & Challenges:

- Globalisation
- Competition
- Price cutting war
- Free imports
- Political instability
- Quality thrusts
- High and adverse debt equity ratio
- Increase in financing cost
- Economic slow down due to international recession impact

In the above Para, details of:

- Strengths
- Weaknesses
- Opportunities
- Threats

Each and every factor of the SWOT would be analysed critically to find out a alternative out of various alternatives available.



best

Chapter- 4 Portfolio Analysis and BCG Matrix

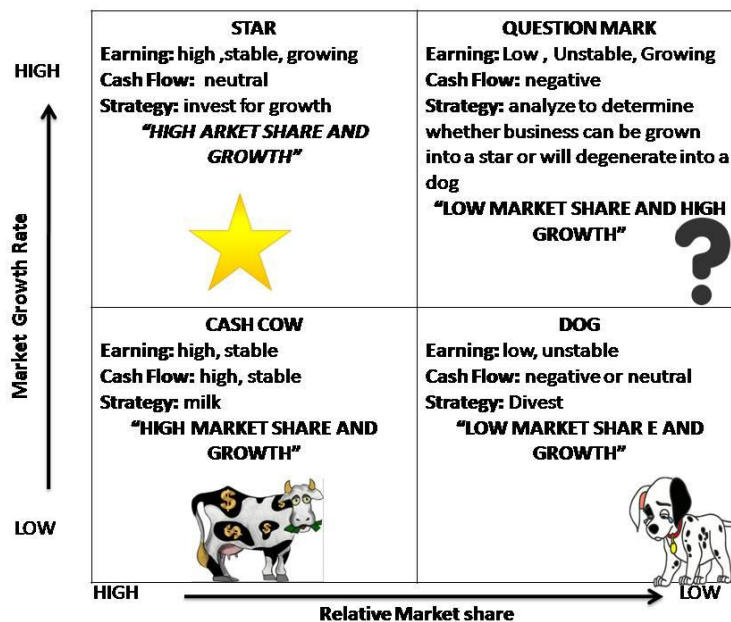
PORTFOLIO ANALYSIS

Portfolio analysis is a term used in describing methods of analysing a product-market portfolio with the following aims

- I. To identify the current strengths and weaknesses of an organisation's products in its markets, and the state of growth or decline in each of these markets.
- II. To identify what strategy is needed to maintain a strong position or improve a weak one.
- III. Several matrices have been developed over the years to analyse market share, market growth and market position.

BCG MATRICES

The Boston Consulting Group (BCG)'s matrix analyses 'products and businesses by market share and market growth.'



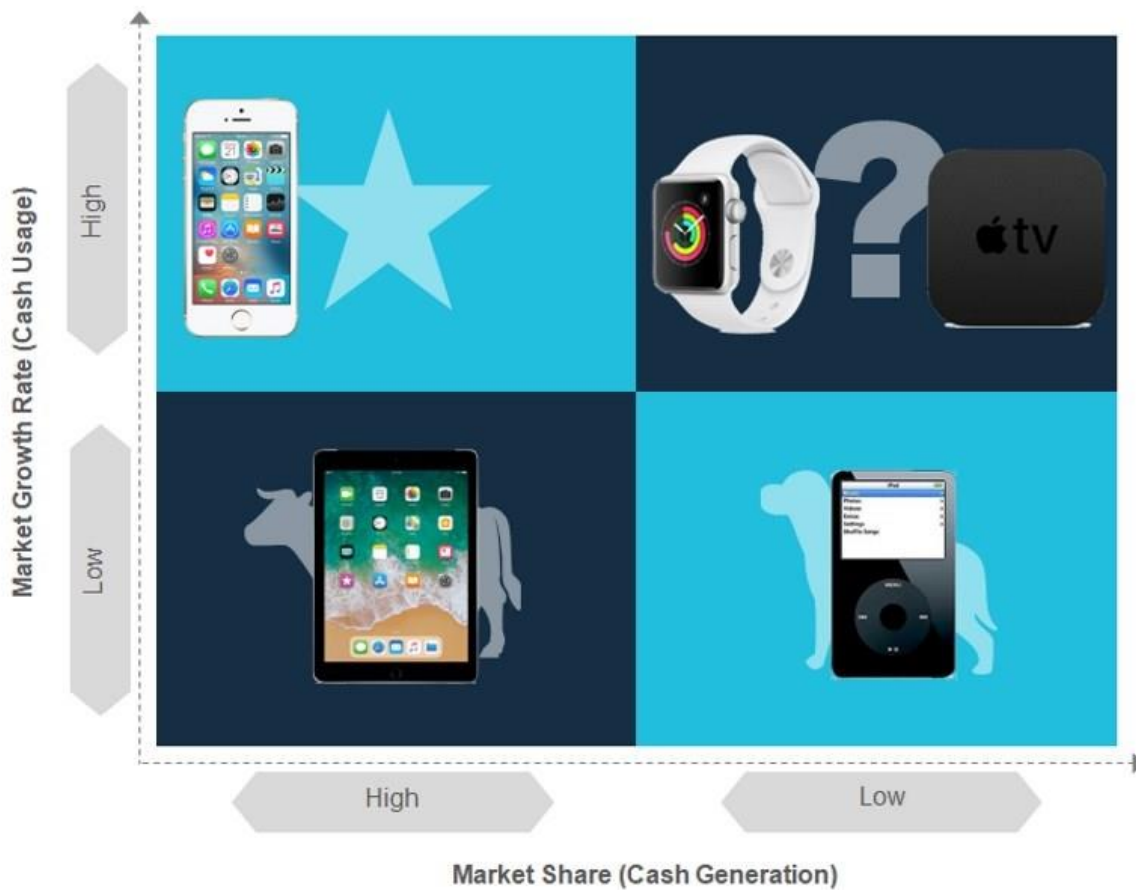
The Boston Consulting Group (BCG) growth-share matrix is a planning tool that uses graphical representations of a company's products and services in an effort to help the company decide what it should keep, sell, or invest more in.

The matrix plots a company's offerings in a four-square matrix, with the y-axis representing the rate of market growth and the x-axis representing market share. It was introduced by the Boston Consulting Group in 1970.¹

The BCG growth-share matrix breaks down products into four categories, known as "dogs," "cash cows," "stars," and "question marks." Each category quadrant has its own set of unique characteristics

Understanding the Boston Consulting Group (BCG) Matrix

The horizontal axis of the BCG Matrix represents the amount of market share of a product and its strength in the particular market. By using relative market share, it helps measure a company's [competitiveness](#).



The vertical axis of the BCG Matrix represents the growth rate of a product and its potential to grow in a particular market.

In addition, there are four quadrants in the BCG Matrix:

1. **Question marks:** Products with high market growth but a low market share.
2. **Stars:** Products with high market growth and a high market share.
3. **Dogs:** Products with low market growth and a low market share.
4. **Cash cows:** Products with low market growth but a high market share.

The horizontal axis of the BCG Matrix represents the amount of market share of a product and its strength in the particular market. By using relative market share, it helps measure a company's competitiveness.

The vertical axis of the BCG Matrix represents the growth rate of a product and its potential to grow in a particular market.

1. Cash cows

Cash cows have a high market share but a low growth rate. Which actually means they don't cost much but promise high returns. A good example of a cash cow is Google's online advertising business. They have a high market share in a saturated market and don't need to spend a lot to get high returns from the business.

Every business portfolio wants to maximize cash cows and is the eventual aim of all business units.

2. Stars

Stars have a high market share and a high growth rate. They can generate some profit, however, growth is at the expense of money and these are cash consuming. The hope is that eventually the stars will be transformed into cash cows.

Android business for Google is a Star. They have a very high market share in a high growth market but it is consuming money.

3. Question marks

Question marks are the 'problem child', they have high growth potential but a low market share. With a lot of (financial) support and strategic, they can be turned into stars.

Google plus business for Google in Social Media space was a question mark. However, it is another matter they couldn't turn it into a Star and eventually had to shelve it. This, however, makes the question marks a difficult decision to make. It can go either way, it can move to be a Star or it can move into a Dog.

4. Dogs

These are business units with a low share in a saturated market. Dogs should be held on to only if they have a value other than a financial one (e.g. a vanity project or favor for a friend).

Online blogging platform Blogger for Google can be an example of Dogs. It is operating in a, now obsolete user-generated blogging space but still has a much lower market share. Whether Google is going to liquidate the business is to be seen.

Limitations of BCG Matrix

The BCG Matrix produces a framework for allocating resources among different business units and makes it possible to compare many business units at a glance. But BCG Matrix is not free from limitations, such as-

1. BCG matrix classifies businesses as low and high, but generally businesses can be medium also. Thus, the true nature of business may not be reflected.
2. Market is not clearly defined in this model.
3. High market share does not always lead to high profits. There are high costs also involved with high market share.

4. Growth rate and relative market share are not the only indicators of profitability. This model ignores and overlooks other indicators of profitability.
5. At times, dogs may help other businesses in gaining competitive advantage. They can earn even more than cash cows sometimes.
6. This four-celled approach is considered as to be too simplistic.

Chapter- 5 Stages in Strategic Planning

The formal strategic planning process has five main steps:

Select the corporate mission and major corporate goals

The first component of the strategic planning process is crafting the organisation's mission statement, which provides the framework or context within which strategies are formulated. A mission statement has four main components: a statement of its reason for existence which is normally referred to as the mission; a statement of some desired future state, usually referred to as the vision; a statement of the key values that the organisation is committed to; and a statement of major goals.

Analyse the organisation's external competitive environment to identify opportunities and threats

The second component of the strategic planning process is an analysis of the organisation's external operating environment. The essential purpose of the external analysis is to identify strategic opportunities and threats within the organisation's operating environment that will affect how it pursues its mission. Three interrelated environments should be examined when undertaking an external analysis: the industry environment in which the company operates, the country or national environment and the wider socioeconomic or macro environment.

Analyse the organisation's internal operating environment to identify the organisation's strengths and weaknesses

Internal analysis, the third component of the strategic planning process, focuses on reviewing the resources, capabilities, and competencies of a company. The goal is to identify the strengths and weaknesses of the company. The next component of strategic thinking requires the generation of a series of strategic alternatives, or choices of future strategies to pursue, given the company's internal strengths and weaknesses and its external opportunities and threats. The comparison of strengths, weaknesses, opportunities, and threats is normally referred to as a SWOT analysis. More generally, the goal of a SWOT analysis is to create, affirm, or fine-tune a company-specific business model that will best align, fit, or match a company's resources and capabilities to the demands of the environment in which it operates.

Select strategies

Managers select strategies that build on the organisation's strengths and correct its weaknesses in order to take advantage of external opportunities and counter external threats. In order to select the right strategies managers compare and contrast the various alternative possible strategies against each other and then identify the set of strategies that will create and sustain a competitive advantage. It is very important for the strategic managers to keep in mind that the strategies selected should be consistent with the mission and major goals of the organisation. They should be congruent and constitute a viable business model.

Implement the strategies

In order to achieve a competitive advantage and increase profitability managers must put those strategies selected into action. Strategy implementation involves taking actions at the functional, business, and corporate levels to execute a strategic plan.

Implementation can include, for example,

- putting quality improvement programs into place
- changing the way a product is designed
- positioning the product differently in the marketplace
- segmenting the marketing and offering different versions of the product to different consumer groups
- implementing price increases or decreases
- expanding through mergers and acquisitions
- downsizing the company by closing down or selling off parts of the company

The Feedback Loop

The strategy planning process is a continuous process and the feedback loop indicates that strategic planning never ends. In order to determine the extent to which strategic goals and objectives are actually being achieved, and to what degree competitive advantage is being created and sustained execution of the strategy must be monitored. This information and knowledge is returned to the corporate level through feedback loops, and becomes the input for the next round of strategy formulation and implementation. Top managers can then decide whether to reaffirm the existing business model and the existing strategies and goals, or suggest changes for the future.

Important Question

Module- 9 Strategic Analysis and Strategic Planning

Explain the concept of PESTEL Framework?

The PESTEL framework is an extension of the PEST strategic framework, one that includes additional assessment of the Environmental and Legal factors that can impact a business. The PESTEL framework shows some of the macro-environmental influence which might affect organizations. It focuses on the six principal components of strategic significance in the macro-environment namely, political, economic, social, technology, environmental and legal forces.

● Political factors

These factors determine the extent to which a government may influence the economy or a certain industry. For example, a government may impose a new tax or duty due to which entire revenue generating structures of organizations might change. Political factors include tax policies, Fiscal policy, trade tariffs, etc. that a government may levy around the fiscal year and it may affect the business environment (economic environment) to a great extent.

● Economic Factors

These factors are determinants of an economy's performance that directly impacts a company and have resonating long term effects. For example, a rise in the inflation rate of any economy would affect the way companies price their products and services. Adding to that, it would affect the purchasing power of a consumer and change demand/supply models for that economy. Economic factors include inflation rate, interest rates, foreign exchange rates, economic growth patterns, etc. It also accounts for the FDI (foreign direct investment) depending on certain specific industries who're undergoing this analysis.

● Socio-cultural factors

These factors scrutinize the social environment of the market, and gauge determinants like cultural trends, demographics, population analytics, etc. An example of this can be buying trends for Western countries like the US where there is high demand during the Holiday season.

● Technological factors

These factors pertain to innovations in technology that may affect the operations of the industry and the market favorably or unfavorably. This refers to automation, research and development, and the amount of technological awareness that a market possesses.

● Environmental factors

They include protection laws, waste disposal, energy consumption, weather, climate, climate change and associated factors like water shortages. These factors can directly impact industries such as insurance, farming, energy production, and tourism. They may have an indirect but substantial effect on other industries such as transportation and utilities.

● Legal

These factors have both external and internal sides. There are certain laws that affect the business environment in a certain country while there are certain policies that companies maintain for themselves. Legal analysis takes into account both of these angles and then charts out the strategies in light of these legislations. For example, consumer laws, safety standards, labor laws, etc.

Explain the concept of PESTEL Framework?

Threat of entry will depend on the extent to which there are barriers to entry. Barriers to entry are factors that need to be overcome by new entrants if they are to compete successfully. These should be seen as providing delays to entry and not as permanent barriers. The typical barriers are:

- **Economies of Scale**

Economies of scale arise when unit costs fall as a firm expands its output. Sources of scale economies include cost reductions gained through mass producing a standardised commodity, discounts on bulk purchases of raw material inputs and component parts, the advantages gained by spreading fixed production costs over a large production volume and the cost savings associated with spreading marketing and advertising costs over a large volume of output. If these cost advantages are significant then a new company that enters the industry and produces on a small scale suffers a significant cost disadvantage relative to established companies.

- **Brand Loyalty**

Brand loyalty exists when consumers have a preference for the products of established companies. A company can create a brand loyalty through continuous advertising of its brand-name products and company name, patent protection of products, product innovation achieved through company research and development programs, an emphasis on high product quality and good after sales service.

- **Absolute cost advantages**

Absolute cost advantages arise from three sources namely,

- (a) superior production operations and processes due to accumulated experience, patents, or secret processes,
- (b) control of particular inputs required for production, such as labour, materials,

equipment, or management skills, that are limited in their supply; and
(c) access to cheaper funds because existing companies represent lower risks than new entrants. If established companies have absolute cost advantages, the threat of entry as a component of five forces is weaker.

- **Customer Switching Costs**

Switching costs arise when it cost a customer time, energy, and money to switch from the products offered by one established company to the products offered by a new entrant. When switching costs are high, customers can be locked in the product offerings of established companies, even if new entrants offer better products.

- **Government Regulation**

Legal restraints on competition vary from patent protection, to regulation of markets, through to direct government action. Of course, managers in the hitherto protected environments might face the pressures of competition for the first time if governments remove such protection. Historically, government regulation has constituted a major barrier into many industries

Explain the concept of SWOTC Analysis?

S = Strength

W = Weaknesses

O = Opportunities

T/C = Threats or Challenges

6. SWOT analysis is a technique developed at Stanford in the 1970s, frequently used in **strategic planning**.
7. SWOT is an acronym for **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats and is a structured planning method that evaluates those four elements of an organization, project or business venture.
8. A SWOT analysis is a simple, but powerful, framework for leveraging the organization's strengths, improving weaknesses, minimizing threats, and taking the greatest possible advantage of opportunities
9. SWOT analysis is a process where the management team identifies the internal and external factors that will affect the company's future performance. It helps us to identify of what is happening internally and externally, so that you can plan and manage your business in the most effective and efficient manner.
10. While finalising the corporate plan together with corporate objectives, growth strategies, it would be necessary to make a review of the corporate strengths and weaknesses in connection with it's mission and objectives. This is an important managerial task linked with corporate planning process.

Corporate strengths and weaknesses can be broadly enumerated as under:

Corporate Strengths:

- Financially very sound
- Good products and product-mix with high demand including future prospects
- Full capacity utilisation, locational advantages
- Good infrastructures
- Good industrial relations
- No political interference
- Good performance in production and services with consistent records
- Good raw materials base
- Incentives from State Government
- Good relation with Government departments
- Technologically rich and with expertise

These are the corporate strengths within and outside the organisation.

Corporate Weaknesses:

Similar to Corporate strengths, there may be corporate weaknesses too. These may be enumerated as under:

- Under-utilisation of capacity due to economic slump
- High debt burden in the capital structure
- Poor product-mix
- Lack of managerial strengths

- Technology gap
- Demand gap
- Poor infrastructures
- Raw materials source at a distance
- Lack of latest information technology
- Competition war

Both corporate strength and corporate weaknesses are examined and reviewed together in connection with corporate mission and objectives. A balanced and appropriate mix from both strengths and weaknesses is made in order to formulate a good corporate plan, which can be achieved and fulfilled during its entire plan period

Now we outline the 'opportunities' and 'threats'

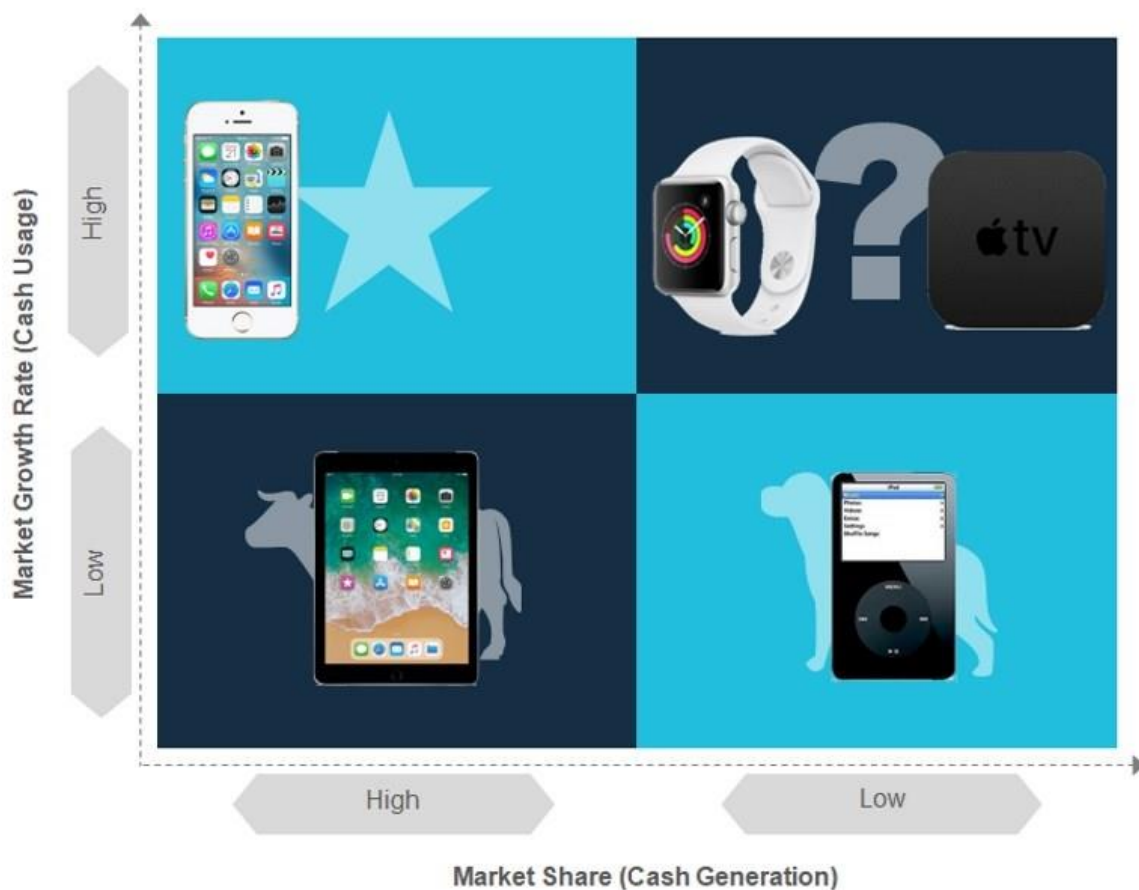
Opportunities:

- Seasonal/climatical demand of products
- Global markets for the company's products/services (Export opportunities)
- To explore the markets in the undeveloped/under-developed/developing states/places
- To avail of the incentives/concessions declared by Central and State Governments
- Diversifications opportunities
- Mergers/acquisition opportunities
- Good home market available due to boost in the economy
- Liberalised policies of the Government both at Centre as well as State level for the individual production and industrial developments

Similar to opportunities, there may be threats too prevailing from time to time, which must be examined and necessary action taken to be free from these or to solve these prudently so that loss to the organisation may be minimum. The probable threats, which may arise or be faced by the organisation, are listed out as under

Threats & Challenges:

- Globalisation
- Competition
- Price cutting war
- Free imports
- Political instability
- Quality thrusts
- High and adverse debt equity ratio
- Increase in financing cost
- Economic slow down due to international recession impact



In

addition, there are four quadrants in the BCG Matrix:

5. **Question marks:** Products with high market growth but a low market share.
6. **Stars:** Products with high market growth and a high market share.
7. **Dogs:** Products with low market growth and a low market share.

Cash cows: Products with low market growth but a high market share. The horizontal axis of the BCG Matrix represents the amount of market share of a product and its strength in the particular market. By using relative market share, it helps measure a company's competitiveness.

The vertical axis of the BCG Matrix represents the growth rate of a product and its potential to grow in a particular market.

2. Cash cows

Cash cows have a high market share but a low growth rate. Which actually means they don't cost much but promise high returns. A good example of a cash cow is Google's online advertising business. They have a high market share in a saturated market and don't need to spend a lot to get high returns from the business.

Every business portfolio wants to maximize cash cows and is the eventual aim of all business units.

2. Stars

Stars have a high market share and a high growth rate. They can generate some profit, however, growth is at the expense of money and these are cash consuming. The hope is that eventually the stars will be transformed into cash cows.

Android business for Google is a Star. They have a very high market share in a high growth market but it is consuming money.

3. Question marks

Question marks are the 'problem child', they have high growth potential but a low market share. With a lot of (financial) support and strategic, they can be turned into stars.

Google plus business for Google in Social Media space was a question mark. However, it is another matter they couldn't turn it into a Star and eventually had to shelve it. This, however, makes the question marks a difficult decision to make. It can go either way, it can move to be a Star or it can move into a Dog.

4. Dogs

These are business units with a low share in a saturated market. Dogs should be held on to only if they have a value other than a financial one (e.g. a vanity project or favor for a friend).

Online blogging platform Blogger for Google can be an example of Dogs. It is operating in a, now obsolete user-generated blogging space but still has a much lower market share. Whether Google is going to liquidate the business is to be seen.

Limitations of BCG Matrix

The BCG Matrix produces a framework for allocating resources among different business units and makes it possible to compare many business units at a glance. But BCG Matrix is not free from limitations, such as-

7. BCG matrix classifies businesses as low and high, but generally businesses can be medium also. Thus, the true nature of business may not be reflected.
8. Market is not clearly defined in this model.
9. High market share does not always lead to high profits. There are high costs also involved with high market share.
10. Growth rate and relative market share are not the only indicators of profitability. This model ignores and overlooks other indicators of profitability.
11. At times, dogs may help other businesses in gaining competitive advantage. They can earn even more than cash cows sometimes.
12. This four-celled approach is considered as to be too simplistic.

Analyze the steps in a formal strategic planning process?

The formal strategic planning process has five main steps:

Select the corporate mission and major corporate goals

The first component of the strategic planning process is crafting the organisation's mission statement, which provides the framework or context within which strategies are formulated. A mission statement has four main components: a statement of its reason for existence which is normally referred to as the mission; a statement of some desired future state, usually referred to as the vision; a statement of the key values that the organisation is committed to; and a statement of major goals.

Analyse the organisation's external competitive environment to identify opportunities and threats

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strategic opportunities and threats within the organisation's operating environment that will affect how it pursues its mission. Three interrelated environments should be examined when undertaking an external analysis: the industry environment in which the company operates, the country or national environment and the wider socioeconomic or macro environment.

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Explain Critical Success Factors?

Critical success factors are those product features that are particularly valued by a group of customers, and, therefore, where the organisation must excel to outperform competition.

Major Sources of CSFs

Rockart has identified four major sources of CSFs

- **Structure of the Industry:** Some CSFs are specific to the structure of the industry for e.g., the extent of service support expected by the customers. Automobile companies have to invest in building a national network of authorized service stations to ensure service delivery to their customers.
- **Competitive strategy, industry position and geographic location:** CSFs also arise from the above factors for e.g. the large pool of English-speaking manpower makes India an attractive location for outsourcing the BPO needs of American and British firms.

- **Environmental Factors:** CSFs may also arise out of general/business environment of a firm, like the deregulation of Indian industry. With the deregulation of telecommunication industry, many private companies had opportunities of growth.

Temporal factors: Certain short-term organisational developments like sudden loss of critical manpower (like the charismatic CEO) or break-up of the family owned business, may necessitate CSFs like 'appointment of a new CEO' or 'rebuilding the company image'.

Temporarily such CSFs would remain CSFs till the time they are achieved. In the process of developing alternatives, it may be useful to narrow down the range of options by identifying the more promising alternatives, in the light of the Critical Success Factor (CSFs). The options relevant to those factors may be analyzed along with a forecast of their outcome

DEEPAK CLASSES

Module 10 Formulation And Implementation of Strategy

This Module Includes

Chapter- 1 Strategy Formulation

Chapter- 2 Structuring of Organisation for implementation of strategy

Chapter- 3 Strategic Business unit

Chapter- 4 Business Process Re- Engineering

Chapter- 5 Management Control, Operation & Task Control

Chapter- 6 Goal Congruence.

Chapter-1 Strategy Formulation

Formulation of strategy

1. Develop and evaluate strategic alternatives
2. Select appropriate strategies for all levels in the organisation that provide relative advantage over competitors
3. Match organizational strengths to environmental opportunities

4. Correct weaknesses and guard against threats

PRODUCTION STRATEGY

Need for a Production Strategy:

1. The key to successful survival of an enterprise as an independent unit is how efficiently production activity is managed.
2. The two major factors that contribute to business failures are obsolescence of the product line and excessive production costs.
3. These factors themselves have been the outcome of ineffective production planning.
4. Production strategy plays crucial role in shaping the ultimate success of a firm. Being based on objective analysis of external environmental forces and corporate strengths and weaknesses, it enables an organisation to make optimal decisions regarding product, production capacity, and plant location, choice of machine and equipment and maintenance of existing facilities.

Formulating Production Strategy:

The following steps are involved in the formulation of production strategy

1. Study the overall corporate plan and define the objectives.
2. Analyse the present production operations and the present and future environment.
3. Review sales- forecast and marketing.
4. Make strategic decisions for production

• Study of Corporate Plan and Statement of Objectives:

1. As in other operating areas, production planning begins with corporate objectives and planning premises.
2. Examination of overall corporate planning not only provides overall directions for manufacturing but also answers questions about overall economic, industrial, market and company factors which will limit and otherwise affect the production planning.
3. Within the framework of these overall planning factors, the planner establishes production objectives and definitions of the general product and process areas in which production operations should concentrate.

• Analysis of the Present Production Operations and the Environmental Forces:

1. The production manager should analyse the current manufacturing operations and the present and future environmental trends to determine the company's manufacturing strengths and weaknesses and to isolate environmental factors such as the manpower supply and new process and equipment developments, which

significantly affect manufacturing operations.

2. During this phase of manufacturing planning, the planner examines the premises or factors that affect the manufacturing operations specifically
3. A study of plant location should be made to assess the effectiveness of present location with respect to key supplies and channels of distribution, and analyse the economies of plant location in terms of labour costs and reservoir of labour skills, both short-term and long-term.
4. The existing condition of the machinery should be studied and its quality and efficiency should be compared with others in the same field including overseas competitors.
5. Regarding maintenance, production manager should check availability of replacement parts.

- **Review of Sales Forecast and Marketing Mix:**

1. Since planning in other areas affects manufacturing plans, the planner should examine the plans in these areas. Sales goals are the basis upon which specific operating plans for manufacturing are built.
2. Hopefully, the manufacturing manager will have participated in the development of these goals so that the sales goals can be reconciled with operations limitations.
3. Once settled manufacturing plans can be developed to meet sales goals.

- **Making Strategic Decisions:**

Keeping in mind the overall corporate business mix, present production operations, environmental forces, sales forecast and marketing mix, the production manager has to decide about the extent of manufacturing activity, choice of manufacturing process, capacity machines and equipment to be used, and physical facilities.

(a) Extent of Production Activity:

(b) Choice of Manufacturing Process:

(c) Capacity Decisions:

(d) Choosing Machines and Equipment:

(e) Physical Facilities Decisions:

MARKETING

STRATEGY MARKET: Market is an arrangement that provides an opportunity of exchange of goods and services, for money or money's worth. It is the means to settle the terms of exchange.

Definition of marketing "is getting the right goods and services to the right people at the right place, at the right time, at the right price, with right communication and promotion."

Marketing Functions:

Marketing involves eight important functions:

1. Buying,
2. Selling,
3. Storage,
4. Transportation,
5. Financing,
6. Standardisation,
7. Grading and
8. Risk-Taking.

Marketing Plan:

1. Marketing plan is a written document that specifies in detail the firm's marketing objectives and how marketing management will use the controllable marketing tools such as product design, channels, promotion and pricing to achieve these objectives
2. Marketing strategy means finding attractive opportunities and developing profitable ways to capture the market.

The Marketing Concept and the Selling Concept:

Marketing Concept

The marketing concept has been expressed in many ways:

1. meeting needs profitably
2. find wants and fill them
3. love the customer, not the product
4. have it your way

5. you're the boss

6. to do all in our power to pack the customer's rupee full of value, quality and

satisfaction The marketing concept rests on four main pillars, namely

- a) target market,
- b) customer needs,
- c) coordinated marketing and
- d) profitability

Selling Concept

The selling concept takes an **inside-out perspective**. The four pillars of selling concept

- a) Factory
- b) Products
- c) Selling and Promoting
- d) Profits through Sales volume

It starts with the factory, focuses on the company's existing products, and calls for heavy selling and promoting to produce profitable sales. The marketing concept takes an **outside-in perspective**. It starts with a well-defined market, focuses on customer needs, co-ordinates all the activities that will affect customers and produces profit through customer satisfaction

Social Marketing:

Societal marketing concept calls for a customer orientation backed by integrated marketing aimed at generating customer satisfaction and long-run consumer welfare as the key to attaining long-run profitable volume.

Marketing Management:

Marketing management is the crucial and creative task of delivering consumer satisfaction and thereby earning, profits through consumer demand.

Marketing Strategies:

- a) Marketing strategy is a process that can allow an organisation to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage.
- b) A marketing strategy should be centered around the key concept that customer satisfaction is the main goal.
- c) Markets can be described and defined by their nature of competition.
- d) The marketer's first task is to select a promising market and identify its needs and buying patterns, after which he formulates strategies for each controllable factor (product, distribution, promotion and pricing).
- e) In formulating and implementing overall marketing strategy, management concerns itself with identifying opportunities to serve target markets profitably and serving them so effectively that it is difficult for competitors to take business away on a profitable basis.
- f) The importance of formalized overall marketing strategies (i.e., deliberately

planned competitive postures) varies with the competitive setting. There are four types of competitive settings

1. No direct competition
2. Pure competition
3. Monopolistic competition
4. Oligopolistic competition

Formulating Overall Marketing Strategy:

A marketing strategy should be used as a working paper that guides the store's operations for the next 1-2 years. The format of a marketing strategy has three sections:

- a) Basic assumptions -- based on survey results and past planning processes;
- b) Strategic goals -- goals for growth and fiscal health of the co.
- g) Achieving goals -- operational ideas for changes that will alter the perception of the storefront by the public to conform to the strategic goals

Manpower Strategy

1. The concept of Human Resource Development (HRD) has evolved over time with the recognition of people employed in organisations as a resource.
2. Strategic management of human resources includes assessing staffing needs in the light of strategies formulated and developing a staffing plan for implementation of strategy.
3. The compensation and incentive payments necessary to motivate technically skilled employees and managers also need to be kept in view in connection with the staffing plan.
4. The basic policy in that respect is to be that of linking corporate earnings with individual benefits
5. The following aspects of human resource strategy are required to be focused for the purpose:
 - a) Job analysis and human resource planning before selection and recruitment of manpower,
 - b) Recruitment and selection of staff with required skill and abilities with the process being consistent with the objectives,
 - c) Human resource development by way of training and development programmes, performance appraisal, appropriate compensation package and incentive schemes to secure motivation.

Features human resource strategy

1. **Orientation of the members.** HRM strategy has to ensure that individuals employed in the organisation have necessary orientation so that the mission and objectives of the organisation are internalised by the members and they have a sense of identification with the values and culture of the organisation.
2. **Facilitation of organisational changes as and when called for.** The practices and procedures are required to be in conformity with the changing internal and external conditions. This is a vital role of HR strategy management.
3. **Coping with diversity of workforce.** Modern organisations with highly complex nature of jobs and processes generally have a highly diversified workforce

differentiated in terms of age, sex, religion, professional and technical skills and educational background. To maintain a balanced workforce with harmonious relations and providing equitable incentives and rewards are aspects of HRM functions which can sustain an effective workforce. This is a responsibility of HR strategy managers.

4. **Maintaining competent and committed workforce in a competitive environment.**

The intensity of market competition for enterprises has been growing fast with globalisation and liberalisation of economic policies. There are competitive strategies of low cost production and differentiation of products which may enable companies to secure a competitive edge. HRM has the responsibility of managing workforce so as to make it competent in ability as well as committed to organisational success.

5. **Development of core competency.** An enterprise succeeds in achieving its strategic objectives mainly on the basis of capabilities in the technical, marketing or human skills in areas of crucial importance. These are known as core competencies of the organisation which are unique internal strengths not possessed by competitors. HRM is required to undertake building up of core competency by the organisation as to secure dynamic leadership in the product market.

6. **Empowered workforce as an active resource.** HR strategy is best managed when the members of an organisation are individually in control of their work and are able to realise their potentials with empowerment to take relevant decisions on their own. This is likely to secure enduring performance based achievements.

7. **Appropriate work culture and ethical norms.** No organisation can get the best contribution from its members unless individuals develop a liking for challenging jobs and follow the ethical norms of the organisation functionally. This may require redesigning of jobs and work processes as well as developing trust and confidence among individuals and work groups, as also emphasising intrinsic motivation for improving performance. HRM encompasses creation of an appropriate work culture on the above lines.

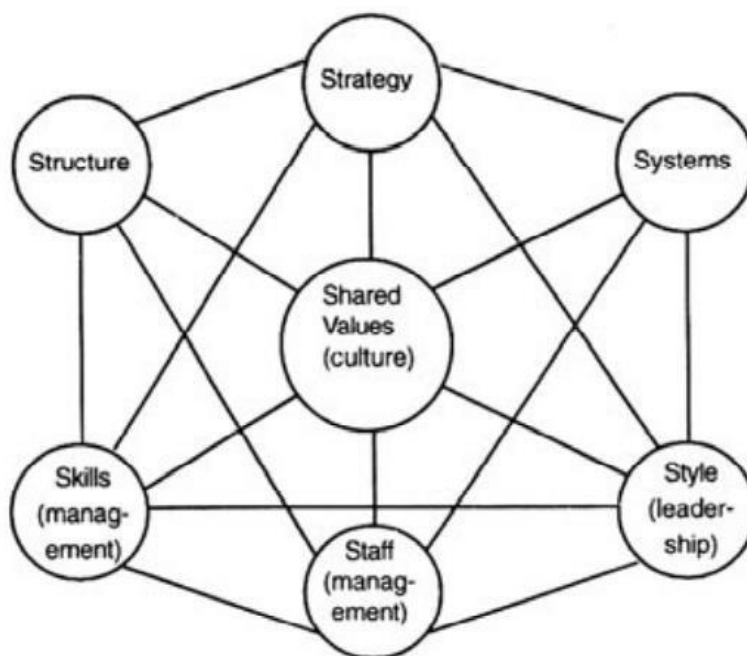
Chapter -2 STRUCTURING OF ORGANIZATION FOR IMPLEMENTATION OF STRATEGY

Introduction

Strategy implementation is a critical issue. Strategies remain useless unless they are effectively implemented. Strategy implementation requires a suitable organizational structure to translate the strategies into concrete action plans.

Strategic Implementation

Strategy is dependent on many variables – Internal as well as external. All factors are interrelated.



McKinsey's 7-S Framework

The McKinsey Company, a well-known management consultancy firm in the United States, towards the end of the 1970s was asked to find a solution to this knotty issue. A strategy is usually successful when the other S's in the 7-S framework fit into or support the strategy.

- **Strategy:** A set of decisions and actions aimed at gaining a sustainable competitive advantage.
- **Structure:** The organization chart and associated information that shows who reports to whom and how tasks are both divided and integrated.

- **Systems:** The flow of activities involved in the daily operation of a business, including its core processes and its support systems.
- **Style:** How managers collectively spend their time and attention and how they use symbolic behaviour. How management acts is more important than what management says.
- **Staff:** How companies develop employees and shape basic values
- **Shared Values:** Commonly held beliefs, mindsets and assumptions that shape how an organisation behaves— its corporate culture.
- **Skills:** An organisation's dominant capabilities and competencies.

Organizational Structure

The successful implementation of Strategy requires an effective organization structure. Organizational structure means the framework in which the organization defines how tasks are divided, resources are deployed and departments are co-ordinated. There are several types of organizational structure:

- (1) Functional Structure
- (2) Geographic Structure
- (3) Matrix Structure
- (4) Hybrid Structure

Functional structure:

The functional structure is characterized by the simultaneous combination of similar activities and the separation of dissimilar activities on the basis of function. All Cost Accountants are located in the Cost Accounting Department, and the HOD of Cost Accounting is responsible for all cost related activities. The same is true in marketing, research and development, and manufacturing. The functional organization form is one of the most common organizational structures found in firms pursuing strategy of concentration or very high relatedness. A functional structure is most appropriate when the organization is small to medium size and relatively stable.

Geographic structure:

Another basic form structural grouping is geographic structure, in which activities and personnel are grouped by specific geographic locations. Each geographic unit includes all functions required to produce and market products in that region. Organization according to geographic areas or territories is rather common structural form for large-scale enterprise whose strategies need to be tailored to fit the particular needs and features of different.

Matrix structure:

Another way to achieve focus on multiple outcomes is with the matrix structure. The matrix structure creates a dual chain of command; two lines of budget authority and two

sources of performance and reward. The key feature of the matrix is that product (or business) and functional lines of authority are overlaid to form a matrix or grid, between the product manager and functional manager.

Hybrid Organization And supplemental Methods:

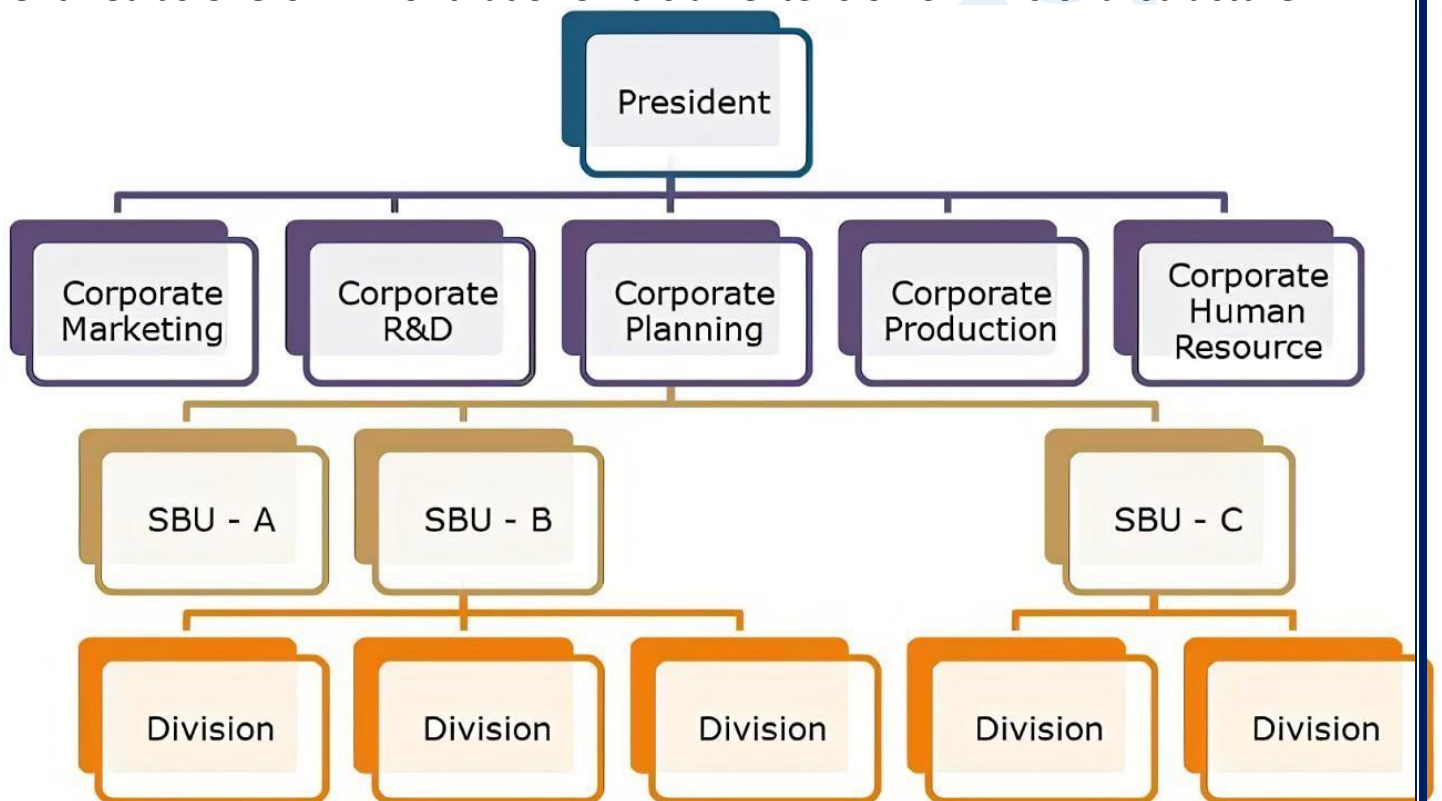
A single type of structural design is not always sufficient to meet the requirements of strategy. When this occurs, one opinion is to mix and blend the basic organizations forms, matching structure to strategy, requirement by requirement, and unit by unit, Hybrid structure is a form of departmentalization that adopts parts of both functional and divisional structures at the same level of management. The major potential advantage of the hybrid structures is that the combination may allow the firm to gain the advantages offered by the primary structure while at least diminishing the impact of the disadvantages.

Remaining Part of this Chapter will discuss in later videos

DEEPAK CLASSICS

CHAPTER-3 STRATEGY BUSINESS UNIT (SBU)

SBU groups similar divisions into “Strategic Business Units” and then delegate’s authority and responsibility of each unit to a senior executive who is normally identified as CEO or MD of that SBU. It is an extension of Divisional structure



SBU Structure Big organisation like Unilever, etc have many SBUs for their different categories of products like Cosmetics, Food products and Beverages, etc, and each is managed through separate unit head.

Advantages:

- Promotes accountability since units’ heads are responsible for individual SBU profitability
- Career development opportunities are further higher in this structure
- Allow better control of categories of products manufacturing, marketing and distributions
- Helps to expand in different related and unrelated

businesses Disadvantages:

- May provide inconsistent approach to tackle customers, etc, because each unit may work in its own way to handle situations
- High cost approach

Matrix Organisation

Structure:

The above structures (Functional, Divisional and SBU) consist of flow of authority from top to bottom i.e. vertical flow whereas Matrix structure contains both vertical and horizontal flow of communications or authority. This type of structure

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is frequently used in IT organisation for managing different projects. Each individual project is managed by a project manager and projects manager will have his team arranged under him.

Advantages:

- Useful for some specific industries like Information Technology, Healthcare etc.
- Employee can see visible results of their efforts
- Remove barrier to communications
- Managing projects are easy
- Effective structures when environment is very dynamic

Disadvantages:

- Complex structure as this contains both vertical and horizontal flow of information
- High cost approach due to more management positions
- Dual lines of authority
- Conflicts arises in the allocation of resources

The three most important Characteristics of SBU are:

- It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly stand alone from the rest of the organisation.
- Has it's own set of competitors.
- Has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.

Chapter-4 BUSINESS PROCESS RE-ENGINEERING

Business process reengineering is an approach used to improve organizational performance by increasing the efficiency and effectiveness of processes that exist across the organization. In addition to the redesigning of business processes, it also involves the redesigning of associated systems and organizational structures.

Usually, reasons like new market opportunities, increasing competition, poor financial performance, and decreasing market share trigger the need for a business process transformation.

BPR involves the analysis and transformation of several major components of a business. These include,

- Strategy
- Organization
- Process
- Technology
- Culture

BPR includes three phases; analysis phase, design phase, and implementation phase. It is also referred to as business process redesign, business process change management, and business transformation.

Benefits of Business Process Reengineering

BPR plays a major role in organizational performance improvement in terms of cost, quality, delivery, employee productivity, etc. It also helps

- Streamline business processes and systems
- Companies easily adapt to changing times and reduce operating expenses
- Improve company profitability and sustain competitive advantage
- Boost employee productivity
- Increase customer satisfaction by improving the quality of products and services

BPR Implementation | Business Process Reengineering Steps

Reengineering a process focuses on redesigning a process as a whole which includes fundamentally rethinking how the organizational work should be done in order to achieve dramatic improvement. That's what differentiates BPR from process improvement which only focuses on functional or incremental improvement.

Reengineering might not be appropriate in all situations, especially if your processes only require optimization and if your organization is not looking to undergo dramatic change. In such a case, you can opt for a [process improvement technique](#).

Step 1: Set the vision and business

goals
step 2: Establish a

competent team
Step 3:

Understand the current process

Step 4: Redesign the process

Step 5: Implement the reengineered process

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Important Question

Module-10 Formulation and Implementation of Strategy

Explain different types of Structures

Functional structure:

The functional structure is characterized by the simultaneous combination of similar activities and the separation of dissimilar activities on the basis of function. All Cost Accountants are located in the Cost Accounting Department, and the HOD of Cost Accounting is responsible for all cost related activities. The same is true in marketing, research and development, and manufacturing. The functional organization form is one of the most common organizational structures found in firms pursuing strategy of concentration or very high relatedness. A functional structure is most appropriate when the organization is small to medium size and relatively stable.

Matrix structure:

Another way to achieve focus on multiple outcomes is with the matrix structure. The matrix structure creates a dual chain of command; two lines of budget authority and two sources of performance and reward. The key feature of the matrix is that product (or business) and functional lines of authority are overlaid to form a matrix or grid, between the product manager and functional manager.

Multidivisional Structure

A multidivisional structure is built up of separate divisions on the basis of products, services or geographical areas. Divisionalisation often comes about as an attempt to overcome the problems that functional structures have in dealing with the diversity mentioned above. Each division can respond to the specific requirements of its product/ market strategy, using its own set of functional departments.

The transnational structure

The transnational structure seeks to obtain the best from the two extreme international strategies, the multi domestic strategy and the global strategy. A global strategy would typically be supported by global product divisions; a multi domestic strategy would be supported by local subsidiaries with a great deal of design, manufacturing and marketing autonomy for all products. The transnational structure, however, attempts to achieve both high local responsiveness and high global coordination. The transnational is like a matrix but has two specific features: first, it responds specifically to the challenge of internationalisation; second, it tends to have more fixed responsibilities within its

crosscutting dimensions.

Analyze the advantages and disadvantages of Project – based structures.

A project-based structure is one where teams are created, undertake the work and are then dissolved. This can be particularly appropriate for organisations that deliver large and expensive goods or services (civil engineering, information systems, films) or those delivering time-limited events (conferences, sporting events or consulting engagements). The organisation structure is a constantly changing collection of project teams created, steered and glued together loosely by a small corporate group. Many organisations use such teams in a more ad hoc way to complement the 'main' structure. For example, taskforces are set up to make progress on new elements of strategy or to provide momentum where the regular structure of the organisation is not effective.

Advantages of Project-based structures

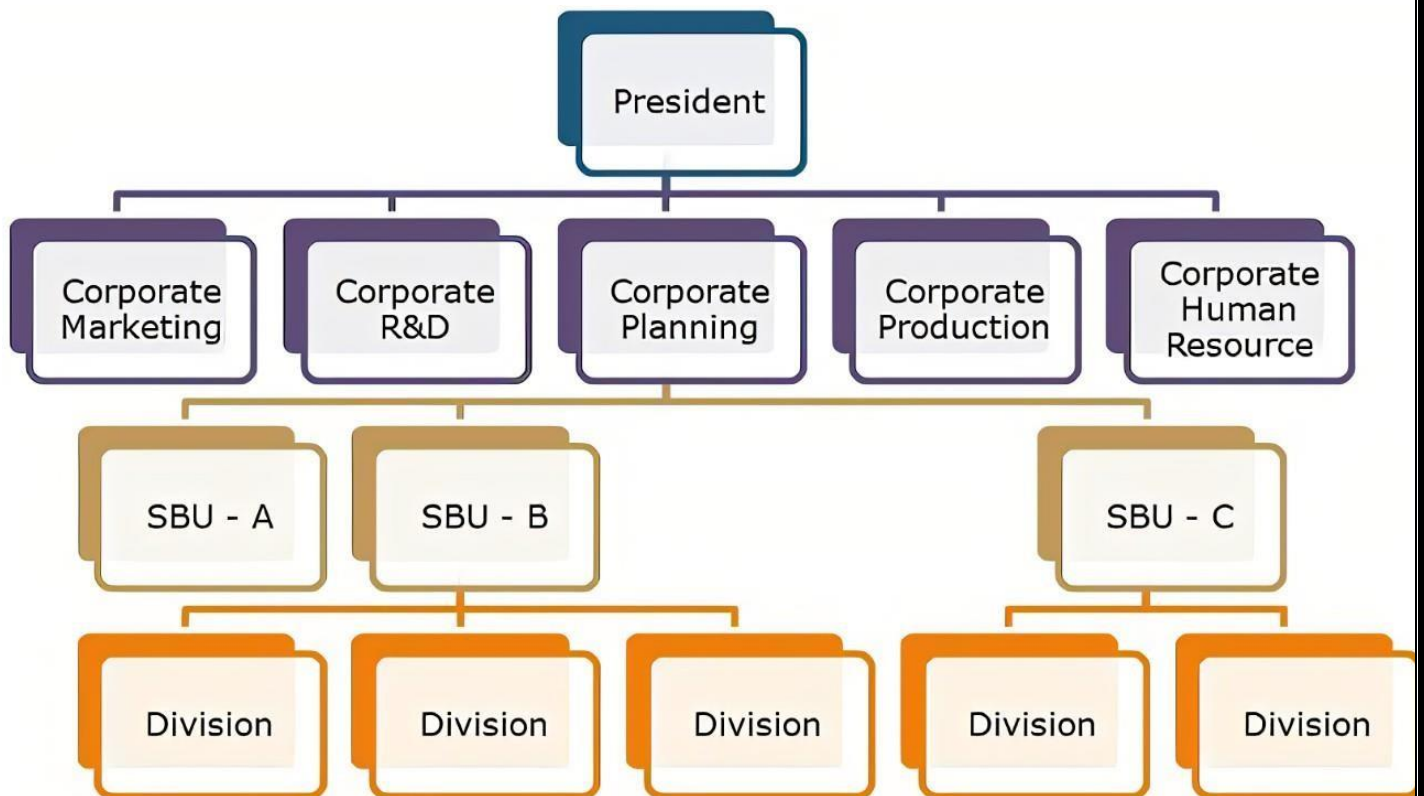
- The project-based structure can be highly flexible, with projects being set up and dissolved as required.
- Accountability and control are good because project teams should have clear tasks to achieve within a defined life.
- Projects can be effective at knowledge exchange as project team members will typically be drawn from different departments within the firm.
- Projects can also draw members internationally and, because project life spans are typically short, project teams may be more willing to work temporarily around the world.

Disadvantages of Project-based structures

- Without strong programme management providing overarching strategic control, organisations are prone to proliferate projects in an ill-coordinated fashion.
- The constant breaking up of project teams can also hinder the accumulation of knowledge over time or within specialisms.

Categorize major reasons of SBU approach.

SBU groups similar divisions into "Strategic Business Units" and then delegate authority and responsibility of each unit to a senior executive who is normally identified as CEO or MD of that SBU. It is an extension of Divisional structure



SBU Structure Big organisation like Unilever, etc have many SBUs for their different categories of products like Cosmetics, Food products and Beverages, etc, and each is managed through separate unit head.

Advantages:

- Promotes accountability since units' heads are responsible for individual SBU profitability
- Career development opportunities are further higher in this structure
- Allow better control of categories of products manufacturing, marketing and distributions
- Helps to expand in different related and unrelated businesses

Disadvantages:

- May provide inconsistent approach to tackle customers, etc, because each unit may work in it's own way to handle situations
- High cost approach

What do you mean by goal congruence? Discuss five areas that

have the ability to create goal congruence.

- Goal congruence is the term that is used to describe the situation when the goals of different interest groups coincide.
- The achievement of goal congruence is essential in order to increase the profitability of the organisation and to achieve its goals.
- It is very important that the individual goals are consistent with the organisational goals.
- It may be said that in a perfect organisation individual goals and organisational goals should correspond perfectly.
- However, it is rarely the case as employees have both personal as well as organisational goals.
- One way of to achieve goal congruence between shareholders and managers is by carefully designing remuneration packages for managers which would motivate managers to take decisions which were consistent with the objectives of the shareholders.

The following are some of the areas that have the ability to create goal congruence:

- **Communication and Understanding**

Channels of communication and how goals are perceived are important to achieve goal congruence. Operational managers have a responsibility of being aware as to what actions are desirable and what goals are to be achieved. It should be understood that the communication of different goals can occur through informal channels, which involves meetings and face to face interactions, or through formal channels including budgets or other financial documents. There is a inherent risk that even if the communication is well executed, it might be perceived in different ways. Organisations, therefore, should internalise the goals in a good manner to avoid that employees feel inability to achieve them.

- **Create direction**

One of the reasons for lack of goal congruence is the absence of direction related to employees' behaviour. Performance management and goals facilitate efficient communication about what managers want their subordinates to focus on. It needs no mention that providing clear information and direction, employees can better understand what is expected from them, how to perform adequately, and how to contribute effectively to the achievement of the organisational goals. There is a need to increase the employees understanding of the strategic objectives as well as the organisation's value drivers.

- **Motivation**

The problem of motivation can exist even though employees have knowledge about how to perform adequately because employees can act in their own self interest instead of in the organisation's best interest. The employees can make their own performance report better by allocating resources without befitting the

organisation as a whole. One of the strongest reasons for demotivation among employees and managers is dislike for the work allocated. The reason for motivation varies among employees. While some employees feel motivated for some recognition and appraisals others may feel motivated because of commitment and responsibility without any required pay off. The more motivated the employees of the organisation the better will be the goal congruence.

● Incentives

In order to increase the likelihood of employees working to achieve their individual goals, organisation's aim to influence motivation by providing incentives. Research suggests that individuals tend to perform better when they are rewarded. Rewards and compensations should create goal congruence between individual goals and organisational goals by stimulating individuals to perform by providing incentives, as rewards are related to increased effort.

● Connection

It is very important to create a connection between goals, performance measures and incentives. In order to align the employees' self interest and overall organisational objectives it is necessary to relate incentives with performance. By linking incentives to certain goals, individuals tend to pay more attention to what is important.

Explain Business Processing Reengineering

- Business process reengineering is an approach used to improve organizational performance by increasing the efficiency and effectiveness of processes that exist across the organization. In addition to the redesigning of business processes, it also involves the redesigning of associated systems and organizational structures.
- Usually, reasons like new market opportunities, increasing competition, poor financial performance, and decreasing market share trigger the need for a business process transformation.
- BPR involves the analysis and transformation of several major components of a business. These include
 - a) Strategy
 - b) Organization
 - c) Process
 - d) Technology
 - e) Culture
- BPR includes three phases; analysis phase, design phase, and implementation phase. It is also referred to as business process redesign, business process change management, and business transformation

Benefits of Business Process Reengineering

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Module- 11 Digital Strategy

What is Digital Strategy?

- A digital strategy, sometimes called a digital media strategy, is a plan for maximizing the business benefits of data assets and technology-focused initiatives. A successful digital strategy requires a cross-functional team with executive leadership, marketing and information technology (IT) members.
- Digital strategy, on the other hand, focuses on technology, not culture. Digital strategy is most relevant to changes in business models, and uses technology to create the capabilities a company needs to become a digital business. Setting down a strategy is a key component of the transformation process, and ensures that technology is being implemented in a way that supports the business objectives.
- In scientific terms, digital technology is a technology in which information is represented in digital form, i.e., as 0s and 1s. Some of the examples of digital technologies are online games, multimedia, social media and mobile phones.
- In today's organization, there are many ideas of what constitutes a digital strategy. A marketing executive will see a digital strategy as social media and web channels. An IT person would see a digital strategy as cloud. An operations executive will see it as data analytics. An R&D executive would see it as online products. A financial person will see it as online revenue channels.

What is common element of digital strategy?

- **Choose a Leader** -This is the most important part of creating a digital strategy, but choosing the right person will depend on company culture, structure and priorities. Whether companies place leadership with the CEO or an appointed Chief Digital Officer, the leader's influence will need to match the scope of digital strategy; otherwise, it will be difficult to create the full buy-in from each department necessary to make effective changes.
- **Attack vs. Defend**- McKinsey & Company emphasizes that companies would do well to categorize their potential threats and opportunities in digital business, then compare these against their own purpose. This clarifies whether a proactive or defensive stance needs to guide new initiatives.
- **Take a Measured Approach** - Digital strategy often incorporates a process for assessing whether new technology will really complement or grow the current business. If you fear that your company is already behind on digital, it can be tempting to rush into a project without looking at how it fits your current strategy. By

taking a measured approach, you can avoid wasting resources on initiatives that don't align with your business's needs and priorities.

- **Future Proof** - The goal of digital transformation is to create an appropriate foundation for digital business. This means creating an organization that can continue to reinvent itself as necessary to keep up with changes in technology and customer expectations. Digital strategy should be visionary enough to carry companies through changes in the digital economy, in a way that continues to bring a digital edge to the business.

What is Big Data?

- Big data is a collection of data that is huge in volume and is growing exponentially with time.
- It is a data with so large size and complexity that none of traditional data management tools can store it or process it efficiently.
- Big data is also a data but with huge size. Examples of Big Data include stock exchange, social networking site, jet engine, etc.
- There are three types of Big Data namely, **structured, unstructured and semi-structured**.
 - A **'structured data'** is any data that can be stored, accessed and processed in the form of fixed format. A lot of success has been achieved over a period of time in developing techniques for working with such kind of data (where the format is well known in advance) and also deriving value out of it.
 - An **unstructured data** is one with unknown form or structure. In addition to the size being huge, un-structured data poses multiple challenges in terms of its processing for deriving value out of it.
 - A **semi-structured data** can contain both the forms of data. Example of semi-structured data is a data represented in an XML file.

What is Characteristics Big Data?

- **Volume** – Size of data plays a very crucial role in determining value out of data. Also, whether a particular data can actually be considered as a Big Data or not, is dependent upon the volume of data. The name Big Data itself is related to a size which is enormous. Hence, 'Volume' is one characteristic which needs to be considered while dealing with Big Data solutions.
- **Variety** – Variety refers to heterogeneous sources and the nature of data, both structured, unstructured and semi structured. During earlier days, spreadsheets and

databases were the only sources of data considered by most of the applications however, in recent period data can be in the form of emails, photos, videos, monitoring devices, PDFs, audio, etc.. These data also need to be analysed.

- **Velocity** – The term ‘velocity’ refers to the speed of generation of data and processing of data to be responsive to the needs of the customers. Big Data velocity deals with the speed at which data flows in from sources like business processes, application logs, networks, and social media sites, sensors, mobile devices, etc. The flow of data is massive and continuous.
- **Variability** – This refers to the inconsistency which can be shown by the data at times, thus hampering the process of being able to handle and manage the data effectively.

What is benefit of Big Data Processing?

- Businesses can utilize outside intelligence while taking decisions.
- Improved customer service.
- Early identification of risk to the product/services, if any.
- Better operational efficiency.

What is Cloud Computing?

- Cloud computing is a general term for anything that involves delivering hosted services over the internet.
- These services are divided into three main categories or types of cloud computing: infrastructure as a service (IaaS), platform as a service (PaaS) and software as a service (SaaS).
 - a) IaaS providers, such as Amazon Web Services (AWS), supply a virtual server instance and storage, as well as application programming interfaces (APIs) that let users migrate workloads to a virtual machine (VM). Users have an allocated storage capacity and can start, stop, access and configure the VM and storage as desired.
 - b) In the PaaS model, cloud providers host development tools on their infrastructures. Users access these tools over the internet using APIs, web portals or gateway software. PaaS is used for general software development, and many PaaS providers host the software after it's developed.
 - c) SaaS is a distribution model that delivers software applications over the internet; these applications are often called web services. Users can access SaaS applications and services from any location using a computer or mobile

device that has internet access. In the SaaS model, users gain access to application software and databases.

- A cloud can be private or public.
 - a) A public cloud sells services to anyone on the internet.
 - b) A private cloud is a proprietary network or a data center that supplies hosted services to a limited number of people, with certain access and permissions settings.
 - c) Private or public, the goal of cloud computing is to provide easy, scalable access to computing resources and IT services. Examples of cloud computing include Google Docs, Microsoft 365, Email services, Google Calendar, Skype, Wats App, Zoom, etc

What are merit / benefit of Cloud Computing?

Cloud computing benefits to modern businesses including the following: Cost management:

- **Cloud infrastructure** can reduce capital costs, as organisations don't have to spend massive amounts of money buying and maintaining equipment. Moreover, companies don't need large IT teams to handle cloud data center operations because they can rely on the expertise of their cloud providers' teams. Cloud computing also cuts costs related to downtime
- **Data and workload mobility:** Cloud computing allows users to access data from anywhere with any device with just an internet connection. That means users don't have to carry around USB drives, an external hard drive or multiple CDs to access their data. Users can access corporate data through smart phones and other mobile devices, enabling remote employees to stay up to date with co-workers and customers. End users can easily process, store, retrieve and recover resources in the cloud. In addition, cloud vendors provide all the upgrades and updates automatically, saving time and effort.
- **Business continuity and disaster recovery (BCDR):** The biggest worry for organisations in the present digital landscape is data loss. Storing data in the cloud guarantees that users can always access their data even if their devices, e.g., laptops or smart phones, are inoperable. With cloud-based services, organisations can quickly recover their data in the event of emergencies, such as natural disasters or power outages. This benefits BCDR and helps ensure that workloads and data are available even if the business suffers damage or disruption.

What are Demerit of Cloud Computing?

In spite of the fact that cloud computing has huge benefits yet, it has its own causes of

concern as follows:

- **Cloud security:** There is a clear lack of transparency regarding how and where sensitive information entrusted to the cloud provider is handled. When relying on the cloud, organisations risk data breaches, hacking of APIs and interfaces, compromised credentials and authentication issues.
- **Cost unpredictability:** The concept Pay-as-you-go subscription plans for cloud use, along with scaling resources to accommodate fluctuating workload demands, can make it tough to define and predict final costs.
- **Lack of capability and expertise:** With cloud-supporting technologies rapidly advancing, organisations are struggling to keep up with the growing demand for tools and employees with the proper skill sets and knowledge needed to architect, deploy, and manage workloads and data in a cloud.
- **IT governance:** The emphasis on do-it-yourself capability in cloud computing can make IT governance difficult, as there is no control over provisioning, de provisioning and management of infrastructure operations.
- **Compliance with industry laws:** When transferring data from on-premises local storage into cloud storage, it can be difficult to manage compliance with industry regulations through a third party. Management of multiple clouds: Every cloud is different, so multi-cloud deployments can disjoint efforts to address more general cloud computing challenges.
- **Cloud performance:** Network and provider outages can interfere with productivity and disrupt business processes if organisations are not prepared with contingency plans.
- **Building a private cloud:** Architecting, building and managing private clouds whether for its own purpose or for a hybrid cloud goal can be a daunting task for IT departments and staff.
- **Cloud migration:** The process of moving applications and other data to a cloud infrastructure often causes complications. Migration projects frequently take longer than anticipated and go over budget.
- **Vendor lock-in:** Switching between cloud providers can cause significant issues. This includes technical incompatibilities, legal and regulatory limitations and substantial costs incurred from sizable data migrations.

What is Artificial intelligence?

- Artificial intelligence (AI) is intelligence exhibited by machines and systems, with machines imitating functions which are mostly related with human cognition.
- There are three levels of AI namely; Narrow AI, General AI/human-level and Super AI.
- Narrow AI refers to the current state-of-the-art with existing software that automates a traditionally human activity and often outperforms humans in efficiency and endurance in one specialized area, e.g., forecasting the weather, autonomous driving, etc.
- General AI/human-level AI describes the capacity of machines to understand their environment and reason and act accordingly, just as a human would in all activities across all dimensions, including scientific creativity, general knowledge, and social skills.
- Super AI, the highest level of AI, is reached when AI becomes much smarter than the best human brains in practically every field.
- Super AI systems can make deductions about unknown environments.
- Machine learning (ML) describes automated learning of implicit properties of, or underlying rules for data. It is a major component for implementing
- AI since its output is used as the basis for recommendations, decisions, and feedback mechanisms with regards to a previously unknown situation.
- ML is an approach to creating AI. As most AI systems today are ML-based, the terms are often used interchangeably-particularly in a business context.
- ML involves training algorithms on sample input data to optimize its performance on a specific task so that the machine gains a new capability.
- Deep learning is a branch of AI. It mainly deals with neural networks that consist of many layers, hence the name “deep.” In the last years, deep neural networks have been the most successful AI approach in many areas.
- AI is required for analyzing previously unavailable or indecipherable data (e.g., video or sound which previously could only be interpreted by humans), in order to detect quality issues.
- AI also has the ability to help detection and analysis mechanisms, improve its own accuracy by continuously learning from the issues detected, and optimize

manufacturing processes by incorporating feedback and adjusting the control parameters accordingly.

- It is amazing to note how much friendly a technology AI is emerging to help people in quest for solving problems for society.

What is Block Chain?

- Blockchain is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network.
- An asset can be tangible (house, car, cash, land, etc.) or intangible (intellectual property, patents, copyrights, branding).
- Virtually anything of value can be tracked and traded on a blockchain network, reducing risk and cutting costs for all involved.
- The importance of block chain network systems from the fact that business runs on information. The information should be accurate and received fast.
- Blockchain is ideal for delivering that information because it provides immediate, shared and completely transparent information stored on an immutable ledger that can be accessed only by permissioned network members.
- A blockchain network can track orders, payments, accounts, production and much more.
- As members share a single view of the truth, one can see all details of a transaction end to end, giving greater confidence, as well as new efficiencies and opportunities.

List the Important components of a block chain?

- **Distributed ledger technology** All network participants have access to the distributed ledger and its immutable record of transactions. With this shared ledger, transactions are recorded only once, eliminating the duplication of effort that's typical of traditional business networks.
- **Immutable records** No participant can change or tamper with a transaction after it's been recorded to the shared ledger. If a transaction record includes an error, a new transaction must be added to reverse the error, and both transactions are then visible.
- **Smart contracts** A smart contract is stored on the blockchain and executed automatically. A smart contract can define conditions for corporate bond transfers; include terms for travel insurance to be paid and much more. A smart contract acts a set of rules and allows fastest transactions. The benefits of blockchain network

- **Increased trust** As block chain is used by only the members who are within a defined network. This assures the members that the data being received by them is accurate and timely data. Moreover, the confidential blockchain records will be shared only with network members to whom one has specifically granted access.
- **Greater security** The increase security in blockchain network arises from the fact that consensus on data accuracy is required from all network members, and all validated transactions are immutable because they are recorded permanently. No one, not even a system administrator, can delete a transaction.
- **Increased efficiencies** With a distributed ledger that is shared among members of a network, time-wasting record reconciliations are eliminated. The smart contract enables automated transactions thereby saving on time.

What is Robotic Process Automation?

- Robotic Process Automation (RPA) is a form of business process automation that allows anyone to define a set of instructions for a robot or 'bot' to perform.
- RPA bots are capable of mimicking most human-computer interactions to carry out a ton of error-free tasks, at high volume and speed.
- Robotic process automation is not a physical or mechanical robot.
- RPA is the process by which a software bot uses a combination of automation, computer vision, and machine learning to automate repetitive, high-volume tasks that are rule-based and trigger-driven.
- Robotic process automation tools are best suited for processes with repeatable, predictable interactions with IT applications.
- RPA tools can improve the efficiency of these processes and the effectiveness of services without fundamental process redesign.
- The benefits of RPA solutions not only reduce cost but also include:
 - a) Decreased cycle times.
 - b) Flexibility and scalability
 - c) Improved accuracy
 - d) Improved employee morale
 - e) Detailed data capture

The different types of digital marketing strategies

- **Social Media Marketing Platforms** Today's consumers are highly reliant on social media platforms such as Instagram, Facebook, LinkedIn, and Snapchat. This is why it is essential that brands are active across accounts. First, marketing teams can use these channels to distribute paid ads and sponsored content. Each platform has a way for marketing teams to create paid ad campaigns and segment users so these ads appear on the feeds of target audience members. While each platform is different, most have capabilities that allow marketing teams to place ads based on location, job title, interests, age, etc. Social media is also a great way to promote products or resources organically to your followers, and engage with consumers. Chances are, people that follow your brand on social media have likely purchased from you in the past. Interacting with them on social media or answering customer service-oriented questions is a great way to ensure continued engagement with the brand and cultivate positive experiences and customer loyalty
- **Influencer Marketing** Another effective way to harness digital channels to reach target audiences is with influencer marketing. Brands can partner with celebrities, sites, or others that are considered experts in their field, that share similar values. Brands can then reach these influencers' followers with branded content and offers.
- **Email Marketing** Email marketing campaigns allow organizations to stay connected with prospects and customers, sending them customized newsletters or offers based on past shopping history or brand engagements. If an individual has interacted with a few of your branded touch points- like an email offer for 10 percent off the items they have been considering, or free shipping - that may be what ultimately brings about a conversion.
- **Content Marketing** Content marketing allows marketing teams to be proactive in answering their users' questions. Marketing teams create content, videos, and other assets to answer questions or provide context to consumers throughout the three stages of the buyer's journey:
 - I. **The awareness stage:** Buyer realizes they have a need
 - II. **The consideration stage:** Buyer determines a course of action to meet this need
 - III. **The decision stage:** Buyer decides on a product / service to purchase to meet the need
- **Search Engine Optimization (SEO)** Marketing Search engine optimization often goes hand in hand with content marketing. When the customer from the above example is

conducting research for which gym shoes to buy, they will probably click on one of the first three results that appear on Google. With this in mind, the athletic shoes' marketing team wants to ensure their article appears in those top results. This is done by optimizing content for user experience and ensuring the technical elements are in place to enable search engine crawlers to easily find and index this content

- **Pay-per-click (PPC)** Pay-per-click is a form of paid advertising that allows marketing teams to essentially purchase traffic to their website. Marketers place ads on websites or search engines such as Google and Microsoft Bing, and pay a fee each time the ad is clicked on. These ads often appear at the top of the search results page, and are typically determined by bids on specific keywords, while banner ads on websites usually have set prices.
- **Affiliate Marketing** Affiliate marketing is similar to referral programs; it involves working with outside individuals or companies under the agreement that they promote your product in exchange for a commission from each sale that can be attributed to their efforts. This is a way to cut down on costs and outsource some of the heavy lifting of promotion; however, you're putting your brand's reputation in someone else's hands, so this type of marketing often requires more extensive monitoring and tracking.
- **Mobile Marketing** Mobile marketing initiatives can include many of the digital marketing strategies mentioned above, and typically will leverage a combination of text messages, social media, email, push notifications, and mobile applications. The importance of mobile marketing is rising, as it is expected that by 2024, the number of mobile shoppers will rise to approximately 187.5 million users. With the clear move to mobile, marketers need to think about how they can optimize their current marketing efforts for mobile to be able to deliver a seamless and user-friendly experience.