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Gateway to knowledge



CA DARSHAN JAIN

CA , CS , LLB , DISA , DIRM , B.COM

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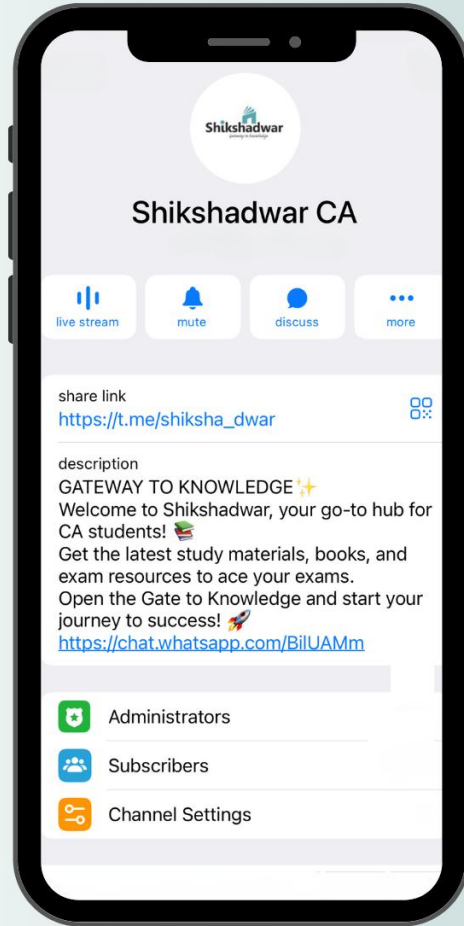
- Chartered Accountant by profession & educator by passion
- Teaching Financial Accounting , Financial Management & Strategic Management to CA Students For 12 Years.
- Practicing Chartered Accountant For Past 13 years in The Field of Audit , Direct & Indirect Taxes & Management Consultancy
- Elected as Convenor of The Jalna CA CPE Chapter of WIRC of ICAI For 2 consecutive years 20-21 & 21-22.
- He Has Successfully Completed & Qualified Following Certificate Course Conducted By ICAI
 1. Forensic Accounting & Fraud Detection
 2. Concurrent Audit of Banks
 3. Goods & Service Tax (GST)
 4. Public Finance & Accounting
 5. Drafting & Pleading Before Authorities
 6. Wealth management & Financial Planning
 7. Artificial Intelligence



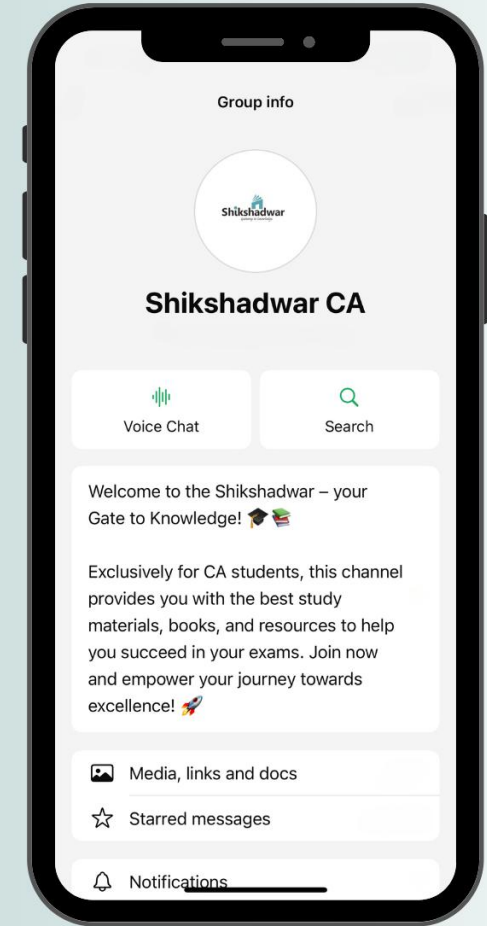
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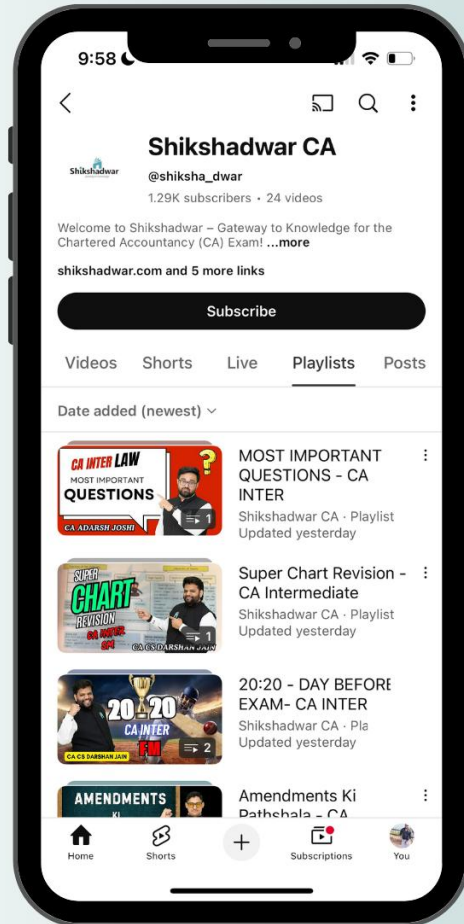




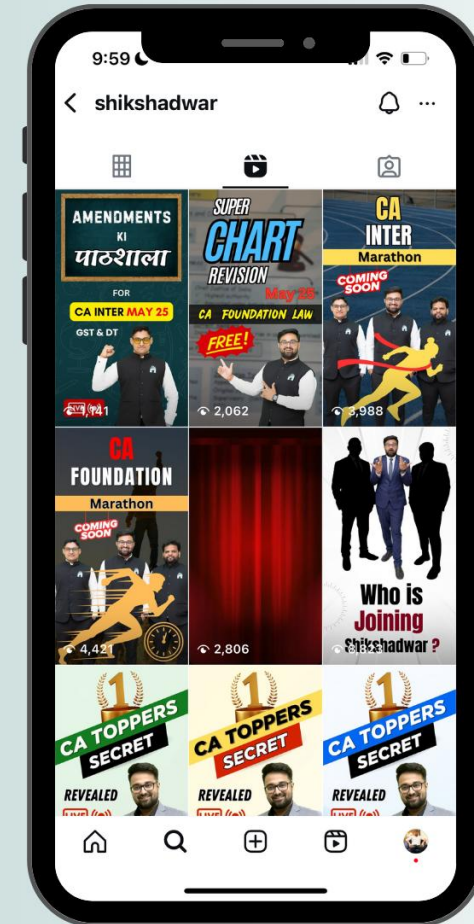
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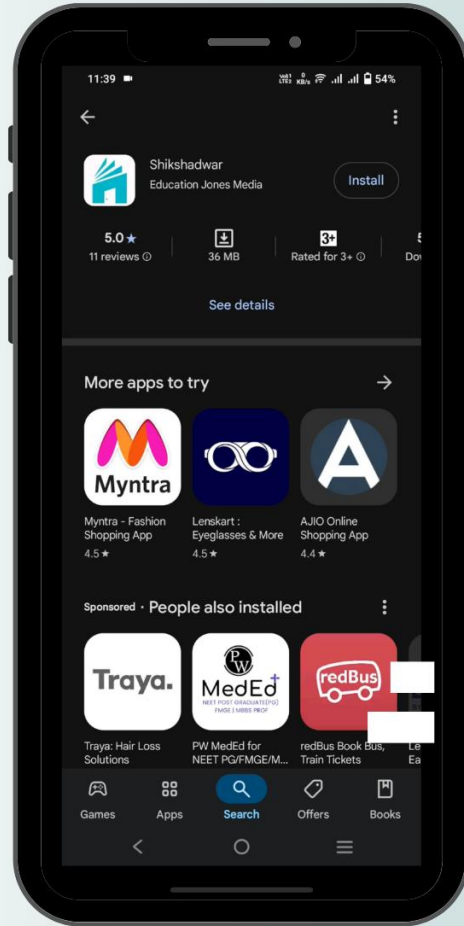
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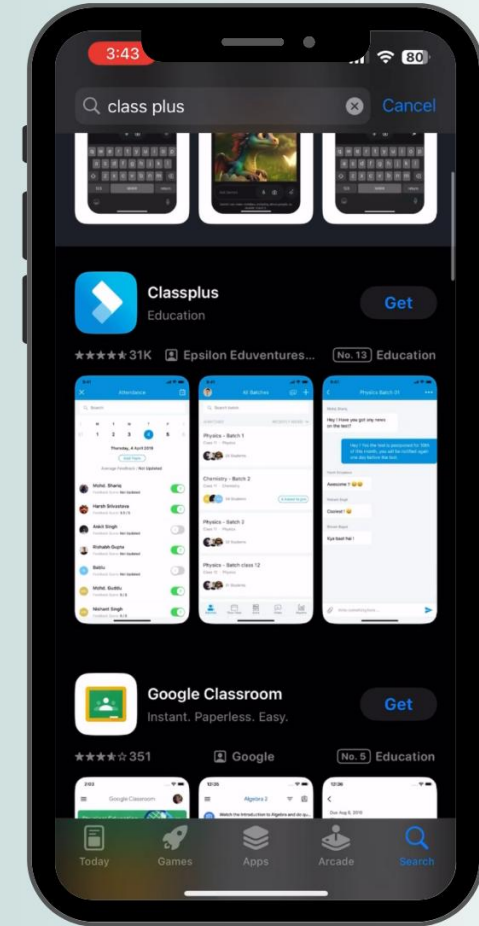
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CA INTERMEDIATE MAY 25

Marathons Live Streams



RRR - Result Oriented Rapid Revision

Most Imp Questions



One Shot MCQ's Marathon

Super Chart Revision



Amendments Ki Pathshala

20 -20 Series

CA INTERMEDIATE MAY 25

Marathons Schedule With Links

DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
17/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	RRR	 WATCH NOW
18/4/2025	12.00 NOON	CA TUSHAR TAPARIA	GST	RRR	 WATCH NOW
19/4/2025	8.00 AM	CA CS DARSHAN JAIN	FM	RRR	 WATCH NOW
20/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	ONE SHOT MCQ MARATHON	 WATCH NOW
21/4/2025	2.00 PM	CA TUSHAR TAPARIA	GST	GST AMENDMENTS & ITS IMPORTANT QUESTIONS	 WATCH NOW
23/4/2025	8.00 AM	CA CS DARSHAN JAIN	FM	ONE SHOT MCQ MARATHON	 WATCH NOW

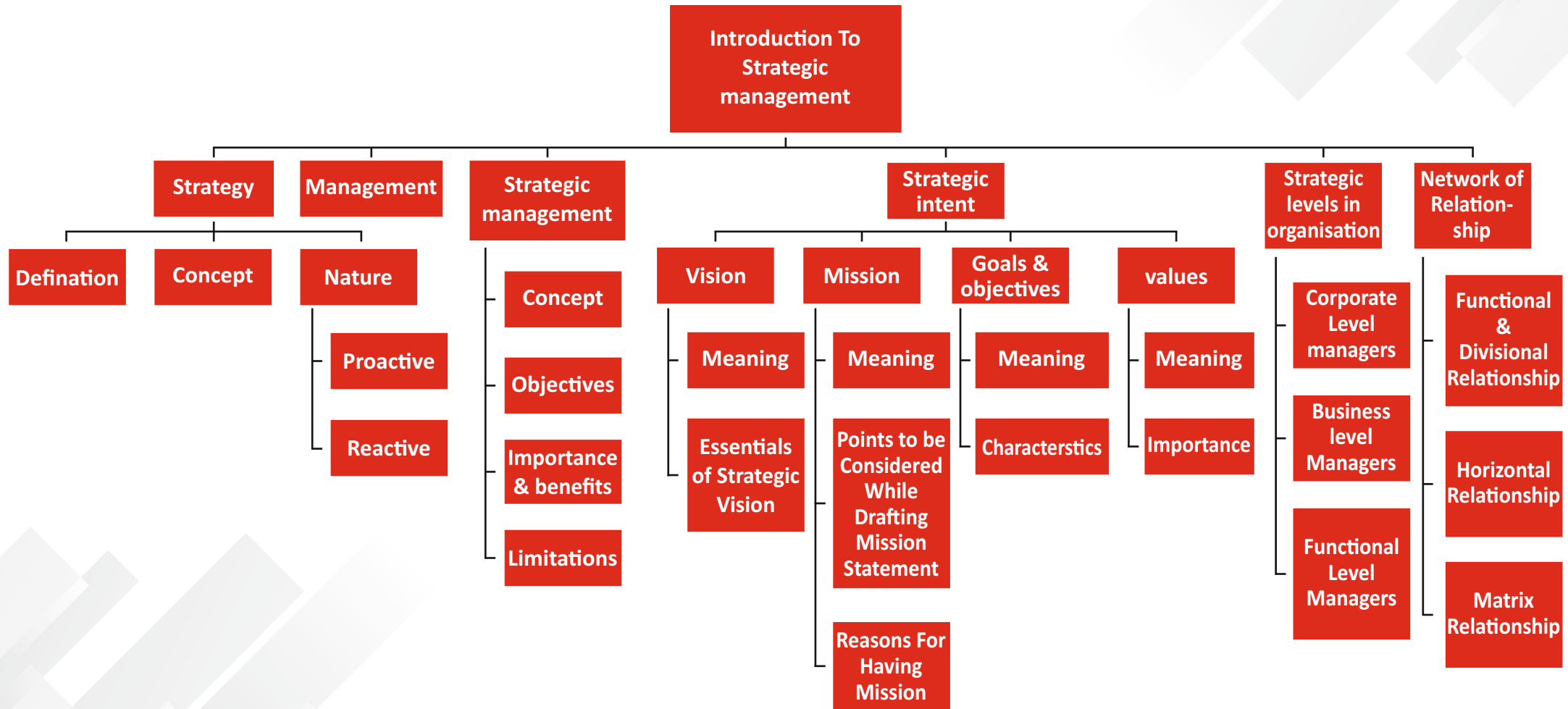
DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
24/4/2025	2.00 PM	CA TUSHAR TAPARIA	DT	DT AMENDMENTS & ITS IMPORTANT QUESTIONS,	 WATCH NOW
27/4/2025	8.00 AM	CA CS DARSHAN JAIN	SM	ONE SHOT MCQ MARATHON	 WATCH NOW
4/5/2025	8.00 AM	CA ADARSH JOSHI		MOST IMPORTANT QUESTIONS	 WATCH NOW
6/5/2025	3.00 PM	CA TUSHAR TAPARIA	TAXATION	20-20	 WATCH NOW
12/5/2025	8.00 AM	CA CS DARSHAN JAIN	FM	20-20	 WATCH NOW
13/5/2025	8.00 AM	CA CS DARSHAN JAIN	SM	SUPER CHART REVISION	 WATCH NOW

Super chart Revision of

STY

INTRODUCTION TO STRATEGIC MANAGEMENT

BIRD's EYEVUE



STRATEGY

DEFINATION OF STRATEGY

Igor H. Ansoff

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

William F. Glueck

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

CONCEPT OF STRATEGY

Helps To Respond To Dynamic Hostile External Forces

Is a Long Range Blue print of Desired image, Direction & Destination

Unravels Complexity & to reduce uncertainty of the environment

Is a Scheme to exploit opportunities & Meet potential threats

Is a Game Plan to Achieve organisations Objectives

Brings a Sense of Dynamic Direction,Focus & Cohesiveness

Can never be perfect, Its Always flexible & pragmatic

NATURE OF STRATEGY

A company's strategy is typically a blend of partly proactive and partly reactive.

Strategy

Proactive actions on the part of managers to improve the company's market position & financial performance.

Reactions to unanticipated developments and fresh market conditions.

MANAGEMENT

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

As a key group in an organisation in-charge of its affairs

As a set of interrelated functions and processes carried out by the management of an organisation to attain its objectives.

STRATEGIC MANAGEMENT

Concept of Strategic Management

Managerial process to develop vision, set objectives, craft, implement and evaluate strategy.

&

Initiate corrective adjustments where deemed appropriate

LIMITATIONS OF STRATEGIC MANAGEMENT

Environment is highly complex and turbulent

Strategic management is a time-consuming process.

Strategic management is a costly process

Competition is unpredictable.

Objectives of Strategic management

To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.

To guide the company successfully through all changes in the environment

STRATEGIC INTENT

Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organisation endeavors to achieve.

Strategic intent gives an idea of what the organisation desires to attain in future. It answers the question what the organisation strives or stands for?

Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives

Vision

Mission

Elements of Strategic Intent

Goals & Objectives

Values

Defines the goals and mission

Enhance the longevity of the business.

Helps the organisation to develop certain core competencies and competitive

advantage

Importance & Benefits of Strategic Management

Serves as a corporate defense mechanism against mistakes and pitfalls.

Helps organisations to be proactive instead of reactive in shaping its future

Prepares the organisation to face the future.

Provides framework for all major decisions of enterprise.

VISION

Vision implies the blueprint of the company's future posit

It describes where the organisation wants to land.

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

Essentials of Strategic Vision

It is Creative & Future Directed

Forming a strategic vision is an exercise in intelligent entrepreneurship.

A well-articulated strategic vision creates enthusiasm among the members of the organisation.

It Clearly illuminates the direction in which organisation is headed.

Reasons For Having Mission

To ensure unanimity of purpose within the organisation

To develop a basis, for allocating organisational resources

To provide a basis for motivating the use of the organization's resources

To establish a general organisational climate For Effective Business operations

To serve as a focal point for organisation's purpose and direction.

To facilitate the translation of objective and goals into a work

To specify organisational purposes & the translation of these purposes into goals in such a way that cost, time & performance parameters can be assessed and controlled.

MISSION

A company's mission statement is typically focused on its present business scope – "who we are and what we do".

Mission statements broadly describe an organizations present capabilities, customer focus, activities, and business makeup.

Points to be considered while writing mission statement

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

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

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

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

Difference Between Vision & Mission

VISION	MISSION
Vision Refers to The Ultimate Goal to be Achieved	Mission is a Statement indicating the activities to be pursued for accomplishing a goal
The Vision States The Future Direction	The Mission States The ongoing activities of the organisation
It is For Long Term	It is For Short Term
Vision is Broad & Inspirational	Mission is Clear & Action Oriented
It Answers the Question of "Where We Want to be"?	It Answers the Question of "Where We are at present"?
Vision is an Effect & Its cause is Mission.	Mission is Cause & Its Effect is Vision

GOALS & OBJECTIVES

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

Objectives should be quantitative, measurable, realistic, understandable, challenging, hierarchical, obtainable, and congruent among organizational units. Objectives are short-term & long-term. Long term objectives are subdivided into short term such as monthly, weekly or daily objectives.

Essential Characteristics of Goals & Objectives

Goals & Objectives Should Be

- > Defining the organisation's relationship with its environment.
- > Facilitative towards achievement of mission and purpose
- > Providing the basis for strategic decision-making
- > Providing standards for performance appraisal.
- > Concrete and specific.
- > Related to a time frame.
- > Measurable and controllable
- > Challenging.
- > Correlating with each other
- > Set within the constraints of organisational resources and external environment.

NETWORK OF RELATIONSHIP BETWEEN THE THREE LEVELS

FUNCTIONAL & DIVISIONAL RELATIONSHIP

It is an independent relationship, where each function or a division is run independently headed by the function/division head, who is a business level manager, reporting directly to the business head, who is a corporate level manager.

VALUES

values are the fundamental principles and beliefs that steer a company's operation.

They cultivate the corporate culture, dictate conduct, and set the tone for its interactions with its customers, employees and other stakeholders.

A few common examples of values are
– Integrity, Trust, Accountability, Humility, Innovation, and Diversity.

- Importance of Values -

- > A company's value sets the tone for how the people think and behave.
- > It creates a sense of shared purpose to build a strong foundation and focus on longevity of the company's success.
- > Employees prefer to work with employers whose values resonate with them.
- > Majority of consumers prefer to buy products and services from companies that have a purpose that reflects their own value and belief system.

STRATEGIC LEVELS IN ORGANISATION

CORPORATE LEVEL MANAGERS

Takes Decisions For the Company as a Whole, Affecting Each Business.

CEO , Board of Directors, Senior Executives & Corporate Staff Etc.

Takes Decisions Based on Corporate Level managers Decisions For Their Respective Business , The Ones They lead

BUSINESS LEVEL MANAGERS

Divisional Managers & Staff Etc

Takes Decisions For The Function They Lead Like Finance, Marketing, Human Resource Etc & Actually Turns The Decisions of Above two into Action

FUNCTIONAL LEVEL MANAGERS

Finance Managers, Marketing manager, HR Manager Etc

HORIZONTAL RELATIONSHIP

It's a Flat Structure Where Everyone From Top management to Staff level Employees are considered at same level

MATRIX RELATIONSHIP

It's a Structure with teams formed with people from various departments

Role of CEO

- 1] Determining the mission & goals of the organisation
- 2] Determining what Business, it should be in
- 3] Allocating different resources among different Business
- 4] Formulating & implementing strategies that span individual business
- 5] Providing leadership for the organisation
- 6] Ensuring Corporate & Business level strategies are consistent with maximising shareholder wealth
- 7] Managing the divestment & acquisition process

Long Term Objectives

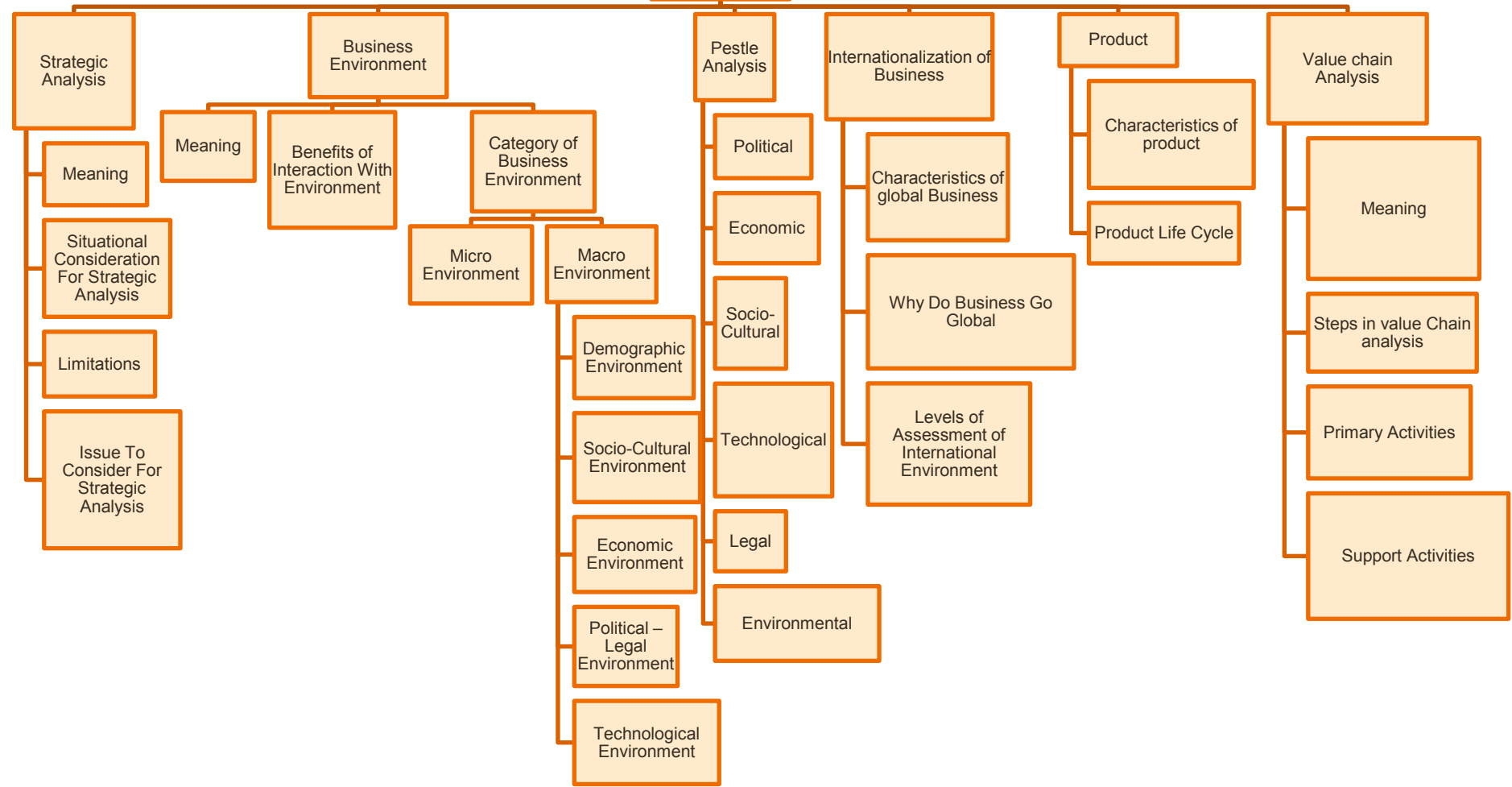
- 1] Profitability
- 2] Productivity
- 3] Competitive Position
- 4] Employee Development
- 5] Employee Relations
- 6] Technological Leadership
- 7] Public Responsibility

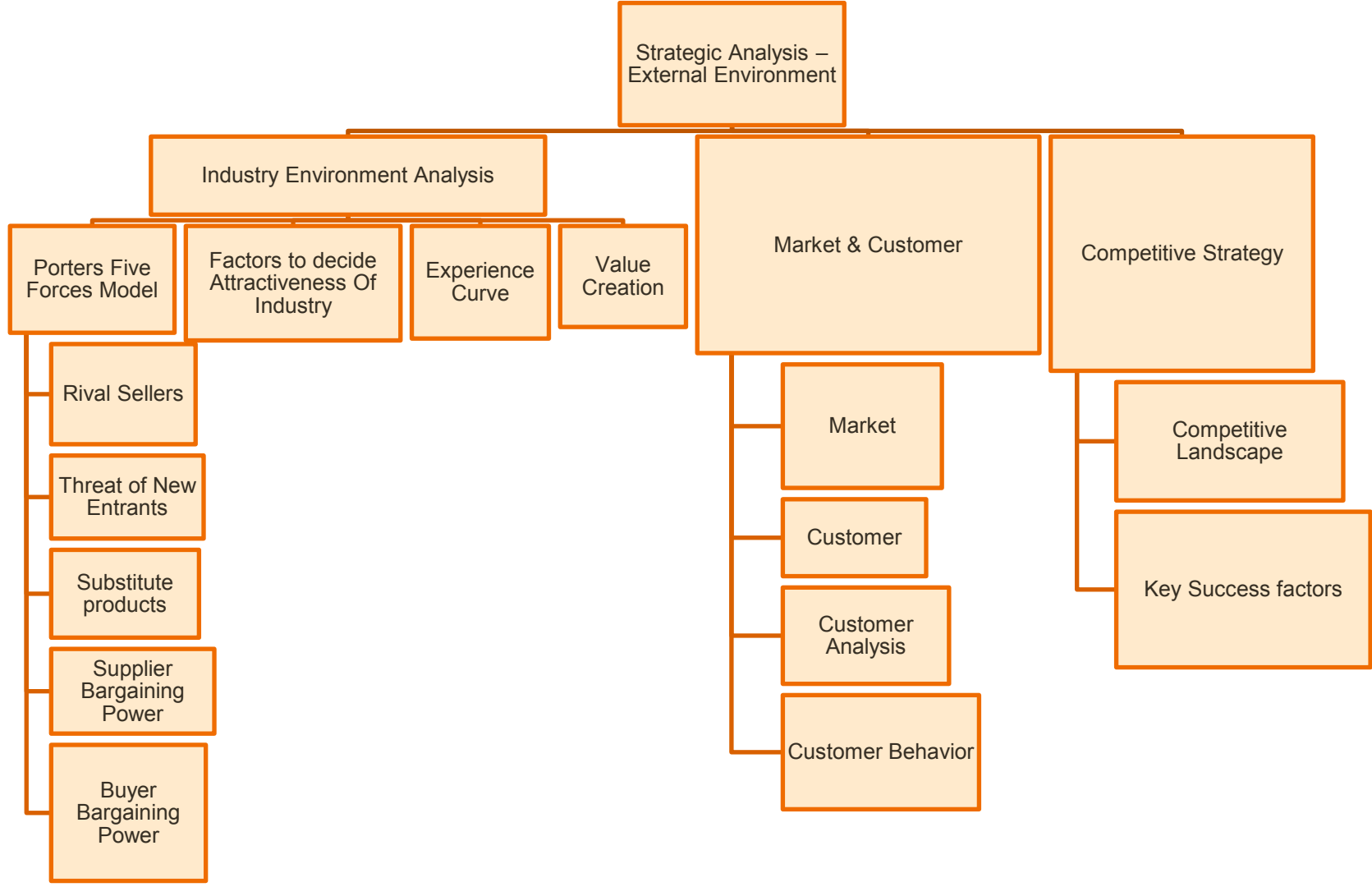
STRATEGIC ANALYSIS

-

EXTERNAL ENVIRONMENT

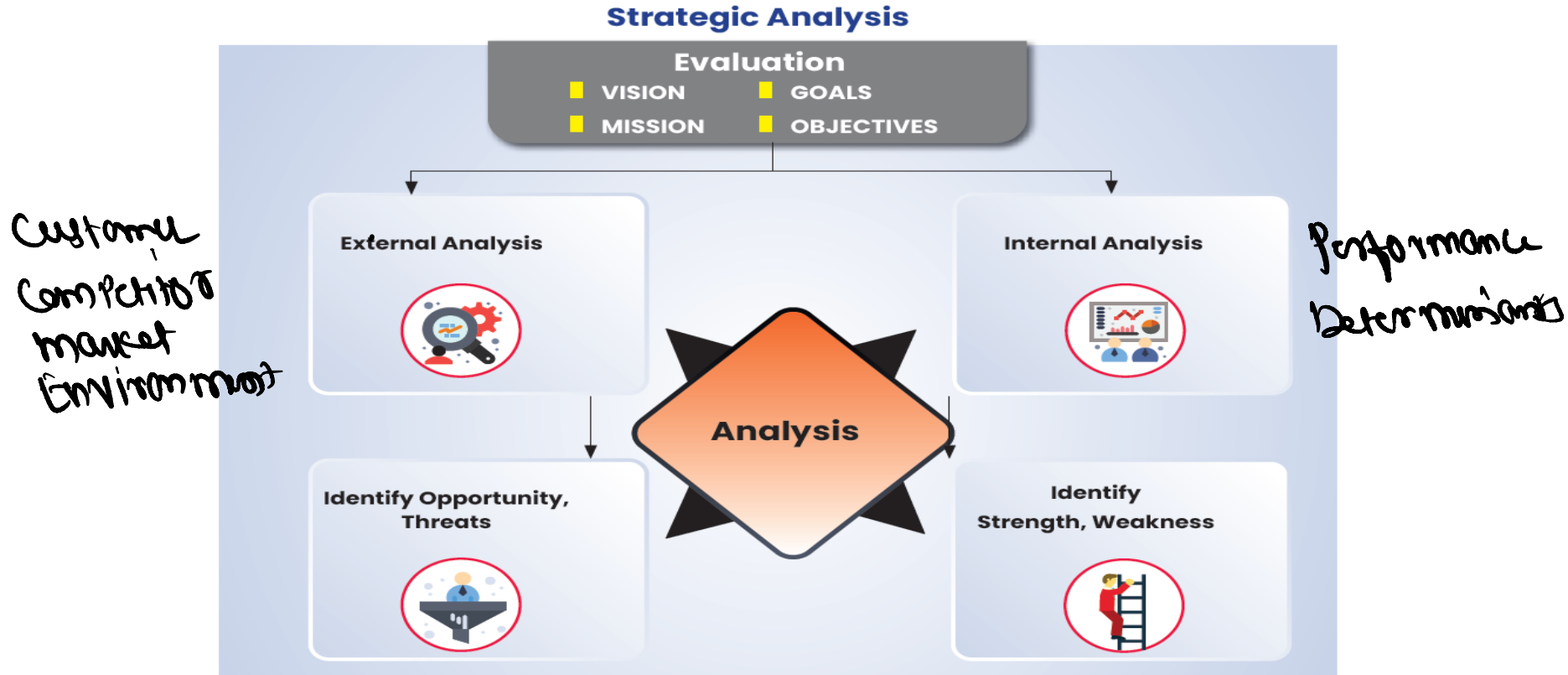
Strategic Analysis – External Environment





STRATEGIC ANALYSIS

Strategic analysis is a process that involves researching an organization's business environment with in which it operates.



The Two Most Important Situational Consideration for Strategic Analysis are -

- a) Industry & Competitive Conditions.
- b) The Company's Own Capabilities , Resources , Internal Strengths , Weaknesses , & market position.

The Two Major Limitations of Strategic Analysis are -

- a) It gives a lot of innovative options but doesn't tell which one to pick. The options can be overlapping, confusing or difficult to implement
- b) It can be time - consuming at times, hurting overall organisational functioning and also strain other efficient innovations such as developing a new product or a service.

ISSUES TO CONSIDER FOR STRATEGIC ANALYSIS



STRATEGY EVOLVES OVER A PERIOD OF TIME

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



BALANCE OF EXTERNAL AND INTERNAL FACTORS

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



RISK

In strategic analysis, the principle of maintaining balance is important. However, the complexity and intermingling of variables in the environment reduces the strategic balance in the organisation.

Strategic Risk

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

STRATEGY & BUSINESS ENVIRONMENT

The term "business environment" refers to all **external factors, influences, or situations** that in some way affect **business decisions, plans, and operations**.

IMPORTANCE/BENEFITS OF INTERACTION WITH ENVIRONMENT



MICRO ENVIRONMENT

Micro-environment is related to **small area or immediate periphery** of an organization.

The Following issues needs to be addressed in Micro Environment

- ♦ The **employees** of the firm, their characteristics and how they are organized.
- ♦ The existing **customer** base on which the firm relies for business.
- ♦ The ways in which the firm can raise its **finance**.
- ♦ Who are the firm **suppliers** and how are the links between the two being developed?
- ♦ The **local community** within which the firm operates.
- ♦ The **direct competition** and their comparative performance.

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

MACRO ENVIRONMENT

- ❑ Macro environment has **broader dimensions** as it consists of **economic, socio- cultural, technological, political and legal factors**.
- ❑ The macro environment is the portion of the **outside world** that significantly affects how an **organisation operates** but is typically much **beyond its direct control and influence**.

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

ELEMENTS OF MACRO ENVIRONMENT

Elements of Macro Environment

Demographic Environment

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

Socio-Cultural Environment

- Beliefs and Value System of the Population
- Helps define product

Economic Conditions

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

Political Legal Environment

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

Technological Environment

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

PESTLE ANALYSIS

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

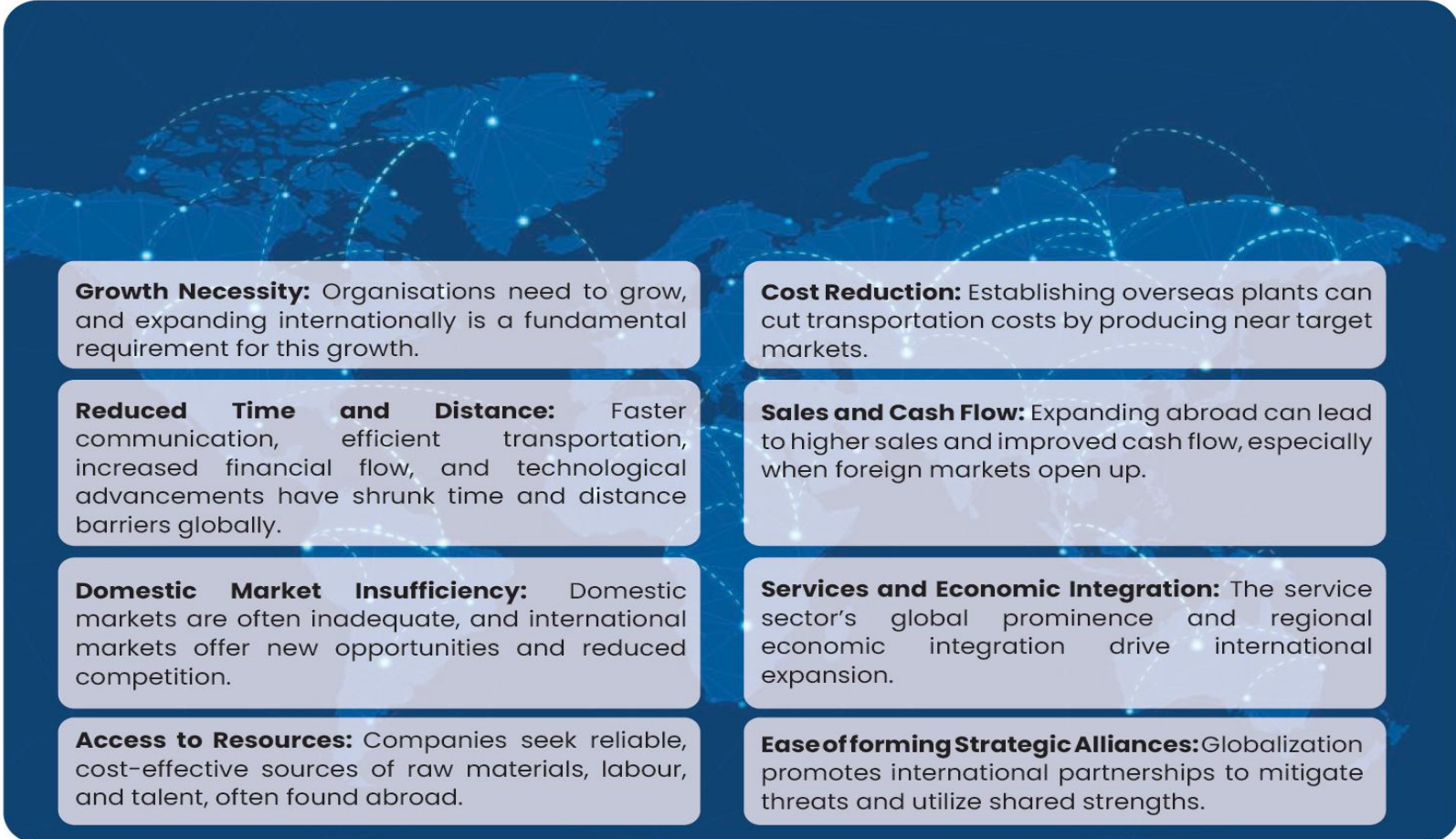
CHARACTERSTICS OF GLOBAL BUSINESS

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

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

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

WHY DO BUSINESS GO GLOBAL



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

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

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

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

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

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

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

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

How to Develop Internationally: Steps Involved



Evaluate global opportunities and threats and rate them with the internal capabilities.

Describe the scope of the firm's global commercial operations.

Create the firm's global business objectives.

Develop distinct corporate strategies for the global business and whole organisation.

INTERNATIONAL ENVIRONMENT

- ❑ International environment has become an inherent part of strategic management for businesses of all sizes with global interests. It essentially involves various global aspects like **political risks, cultural differences, exchange rate fluctuations, legal compliances and taxation issues.**
- ❑ Assessments of the international environment can be done at three levels:
 1. **Multinational**
 2. **Regional**
 3. **Country.**

Analysing International Environment: The Areas Involved



Multinational Analysis

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



Regional Analysis

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



Country Analysis

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

PRODUCT

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

Goods and Services



CHARACTERISTICS OF PRODUCT

Tangible vs. Intangible Products

Tangible products can be physically touched and seen (e.g., car, book).

Intangible products are not physical goods (e.g., telecom services, insurance).

Pricing Dynamics

Prices are determined by supply, demand, quality, marketing, and target audience.

Competition often sets market prices, requiring businesses to focus on cost management for profitability.

Product Features for Satisfaction

Product features satisfy consumer needs and impact pricing.

Features are adjusted during development to enhance the user experience.

Products are pivotal for business

Products are central to business operations.

They drive production, quality, sales, marketing, and logistics activities.

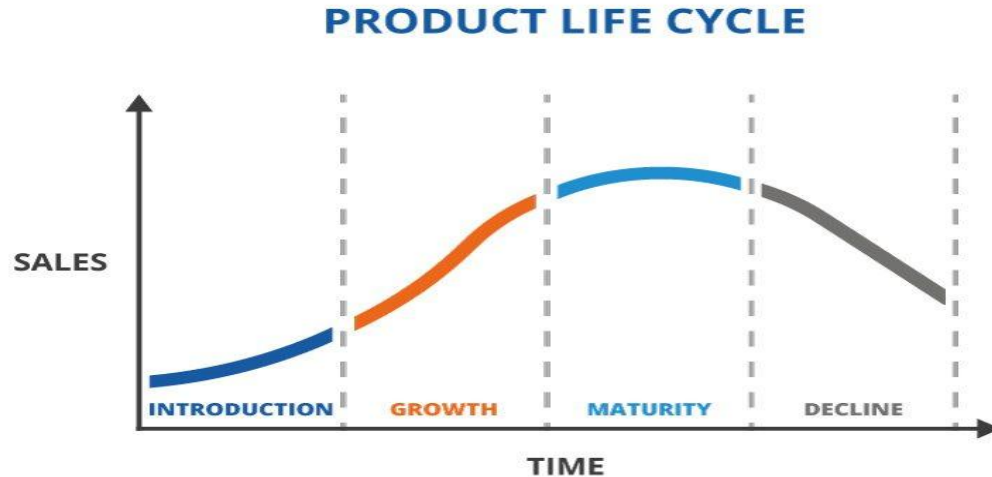
Product Lifecycle

Products have a useful life and a lifecycle.

They may need replacement or reinvention over time (e.g., mobile phones replacing fixed line telephones).

PRODUCT LIFE CYCLE

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



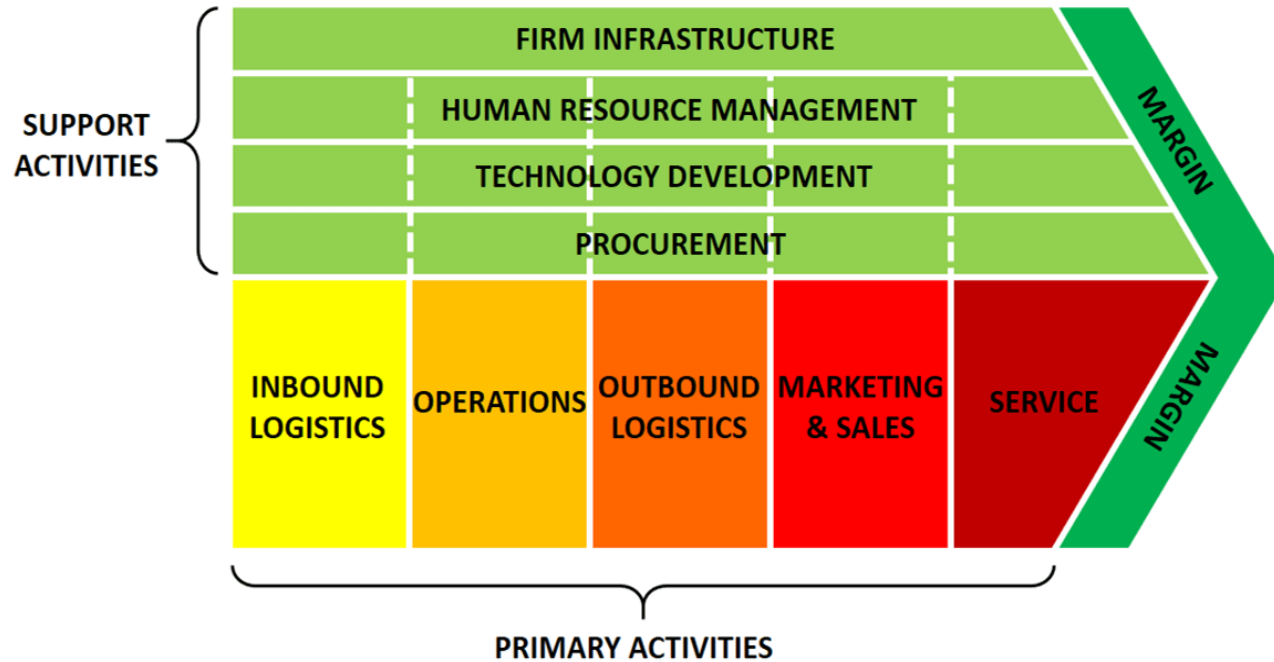
Phase	Introduction	Growth	Maturity	Decline
Sales Volume	Low	Rise in sales Level at Increasing Rates	Rise in Sales Level at Decreasing Rates	Sales Level off & Then Start Decreasing
Price of Products	High	High (May Fall Due to Competition)	Price Falls Closer To Cost	Price Falls Further
Competition	Negligible	Increases	Tough Competition	Decreases , Due to Withdrawal of product
Profits	Nil , Due to heavy Initial Cost	Increases at a Rapid pace	Normal Profits	Declining profits
Market Position	Market is Limited	Market Expands	Market Stabilizes	Market on the verge of Disappearing
Action Plan	Expansion	Expansion	May be used as Source of Cash For Investment in Other Business	Selective Harvesting , Retrenchment Etc

VALUE CHAIN ANALYSIS

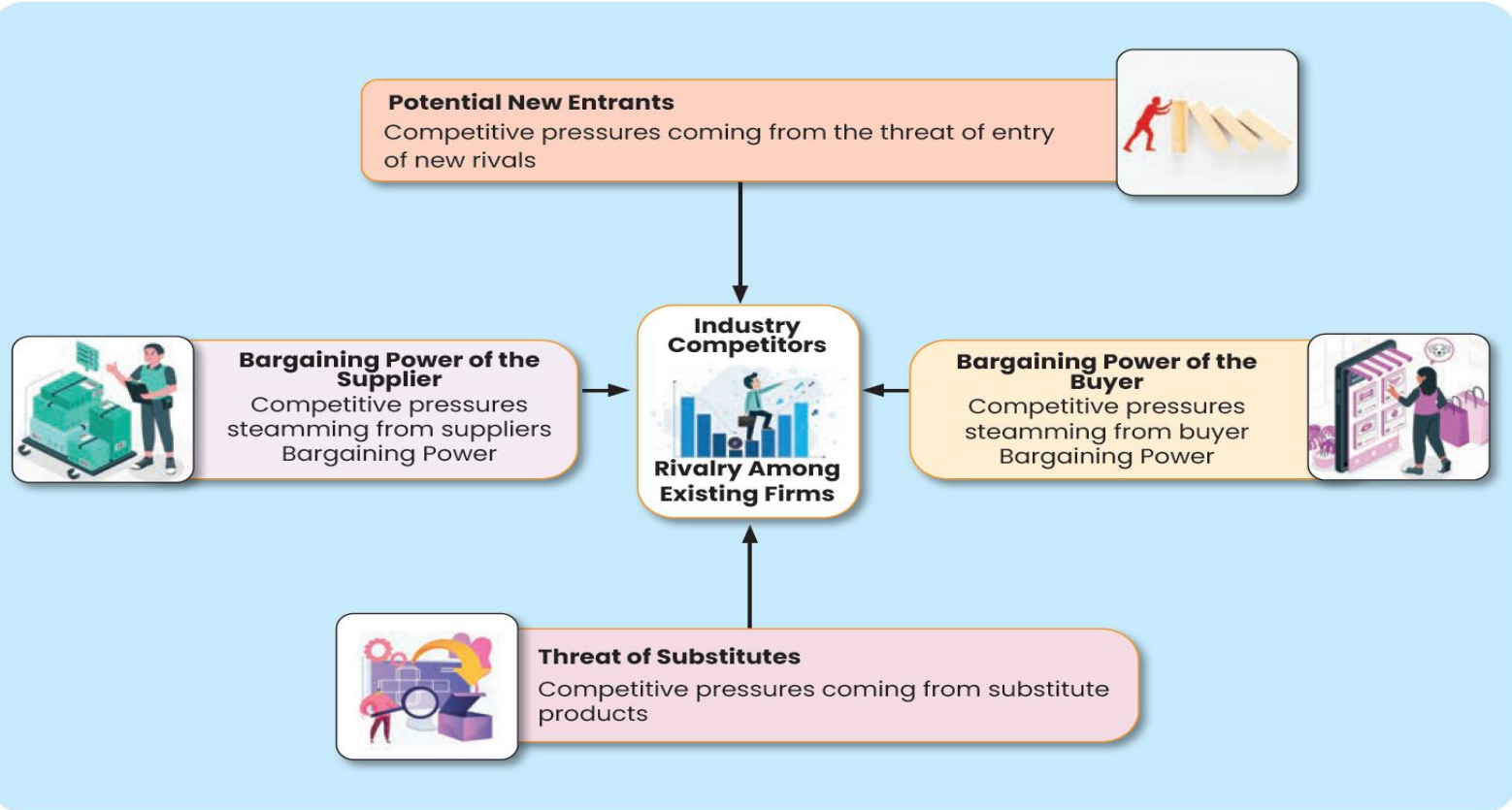
- Value chain analysis is a method of **examining each activity in value chain of a business in order to identify areas for improvements.**
- Value Chain Analysis is a assessment of Business's Ability to provide **Value for Money products or services.**

According To Micheal Porter , The two Basic Steps of VCA are

- a) Identifying Separate Activities
- b) Assessing The Value Added From Each & Linking them into an Analysis of the Firm's Competitive Advantage.



PORTERS FIVE FORCES MODEL





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

Industry Leader

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

Number of Competitors

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

Fixed Costs

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

Exit Barriers

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

Product Differentiation

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

Slow Growth

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

1] Industry leader - NO - High rivalry
- low Profit

Industry leader - Yes - low rivalry
- high Profit

2] Number of Competitors - High - High
rivalry - low Profit

Number of Competitors - less - low rivalry
- high Profit.

3] level of fixed cost - high - high
rivalry - low profitability.

level of fixed cost - low - low
rivalry - high profitability.

4] Exit Barriers - Yes - high rivalry
- low profitability.

Exit Barriers - NO - low rivalry
- high profitability.

5) Product Differentiation - NO - high rivalry - low profitability.

Product Differentiation - YES - low rivalry - high profitability.

6) Growth rate - low - high rivalry - low profitability.

Growth rate - high - low rivalry - high profitability.



Entry Barriers

Capital Requirements

High capital needs restrict new entrants, benefiting existing firms.

Economies of Scale

Large firms enjoy cost advantages, discouraging new competition.

Product Differentiation

Creating unique products deters entry due to high costs.

Switching Costs

Buyers face expenses and resistance when switching, inhibiting entry

Brand Identity

Building brand identity requires significant resources and time

Distribution Channels

Control over distribution hinders new entrants

Possibility of Aggressive Retaliation

Cutting prices and increasing advertising can deter new entrants

Barriers to entry - Entry tough for new player - Competition is low

- Profitability is high for existing player.

NO Barriers To Entry - Easy entry for new player - Competition is high

- Profitability is low for existing player.

] Capital Investment - High - Tough Entry
Fee New Player - Competition should be low - Profitability should be high for existing player.

Capital Investment - Low - Easy Entry Fee
New Player - Competition should be high - Profitability should be lower for existing player

2] Economies of scale - Yes - Easy Entry
for new player - Competition is - Profitability
of existing player ^{high} reduces.

Economies of scale - NO - Tough Entry
for new player - Competition is - Profitability
_{low}
of existing player shall be high.

[Economies of scale - Earning huge profit on selling less
volume]

3] Product Differentiation - Yes - Easy

Entry for new player - Competition
shall be - Profitability
high

shall be low for existing player.

product differentiation - NO - Tough Entry
for new player - Competition
shall be low - Profitability
shall be high for
existing player

4]

Switching cost of buyer - low - Easy

Entry for new player - Competition
shall be high - Profitability
shall be lower
for existing
player

Switching cost of buyer - high - Tough

Entry for new player - Competition
shall be low - Profitability
shall be high for
existing
player

5] Brand Identity - Yes - Tough Entry for New Player
by Customer

- Competition shall be low - Profitability shall be high for Existing Player.

Brand Identity - NO - Easy Entry for New Player.

- Competition shall be high - Profitability shall be low for Existing Player.

6] Access to Distribution - Strong - Easy
Channel by New Player.

Entry for New Player - Competition shall
be high - Profit shall be lower for
existing Player.

Access to Distribution - Weak - Tough
Channel by New
Player - Entry for
New Player.
- Competition shall be low - Profitability shall
be higher for
existing Player.

attack.
↑

7]

Aggressive retaliation
by existing player

- NO - Easy
Entry
for New
Player.

- Competition shall be
high

- Profitability shall
be lower for
existing firms.

Aggressive retaliation
by existing player.

- YES - Tough Entry
for New Player

- Competition shall be
lower

- Profitability shall be
high for existing
player.



Threat of Substitutes; Substitute Products' Impact on Industry

Competition Catalyst

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

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

R&D Investments

Price and Profit Limitation

Substitutes typically constrain prices and industry profits.

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

Identifying Substitutes

Products are
differentiated
by new player

Production technology
is openly available
for new player

Substitute can be
produced at lower
cost.

— Competition
should be
high

→ Profitability
should be
low
for
existing
players

Products cannot
be differentiated by new
player.

&
Technology is protected
with rights & not available
to new player. →

&
production of substitute
involves huge cost
by new player.

Competition
shall be
new → Propensity
(may
be
high
of
existing
player.



**Bargaining
Power of
the Supplier
exists, when...**

Their products
are crucial to
the buyer and
substitutes are
not available.

They can erect
high switching
costs.

They are more
concentrated
than their
buyers.

Products cannot
be differentiated by new
player.

&
Technology is protected
with rights & not available
to new player.

&
production of substitute
involves huge cost
by new player.

Competition
shall be
new

→ Propensity
(may
be
high
of
existing
player.



**Bargaining
Power of the
Buyer exists,
when...**

INFORMATION:

Buyers are well-informed about product sources and substitutes.

SIGNIFICANT SPENDING:

Buyers are major purchasers in the industry.

PRODUCT IMPORTANCE:

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

Seller view point

Bargaining Power
of Buyer

- Strong - Competition
shall be
high

- Profitability shall be low of sellers.

Bargaining Power
of Buyer - weak - Competition shall be
low

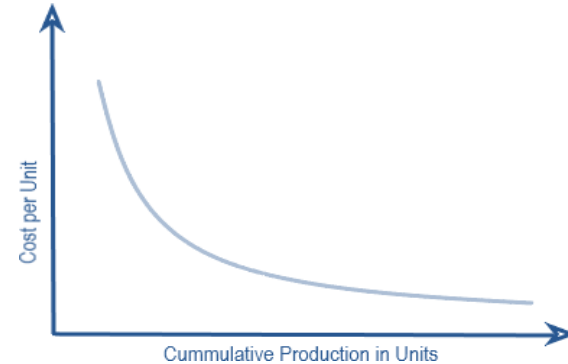
- Profitability shall be high of sellers.

FACTORS TO DECIDE UPON ATTRACTIVENESS OF INDUSTRY

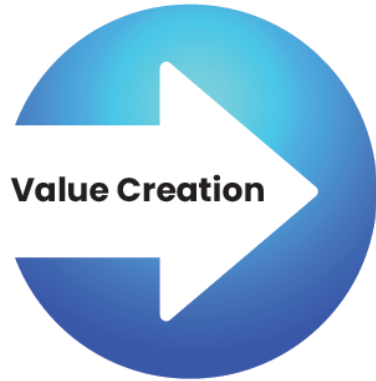


EXPERIENCE CURVE

- ❑ Experience curve is based on the commonly observed phenomenon that **unit costs decline as a firm accumulates experience** in terms of a cumulative volume of production.
- ❑ Experience curve results from a variety of factors such as **learning effects, economies of scale, product redesign and technological improvements** in production.
- ❑ Experience curve has following features:
 - ◆ As business organisation grow, **they gain experience**.
 - ◆ Experience may provide an **advantage over the competition**. **Experience is a key barrier to entry**.
 - ◆ Large and successful organisation possess stronger “**experience effect**”.
 - ◆ As a business grows, it understands the **complexities and benefits from its experiences**.
- ❑ The concept of experience curve is relevant for a number of areas in strategic management. For instance, **experience curve is considered a barrier for new firms contemplating entry in an industry & It is also used to build market share and discourage competition**.



VALUE CREATION



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



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

MARKET AND CUSTOMER



CUSTOMER

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

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



CUSTOMER ANALYSIS



CUSTOMER BEHAVIOUR

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

FACTORS INFLUENCING CUSTOMER BEHAVIOUR

External Influences

Advertisement, peer recommendations, and social norms affect consumer choices, divided into marketing efforts and environmental factors.

Internal Influences

Psychological factors like motivation and attitudes shape consumer decisions.

Decision-Making Process

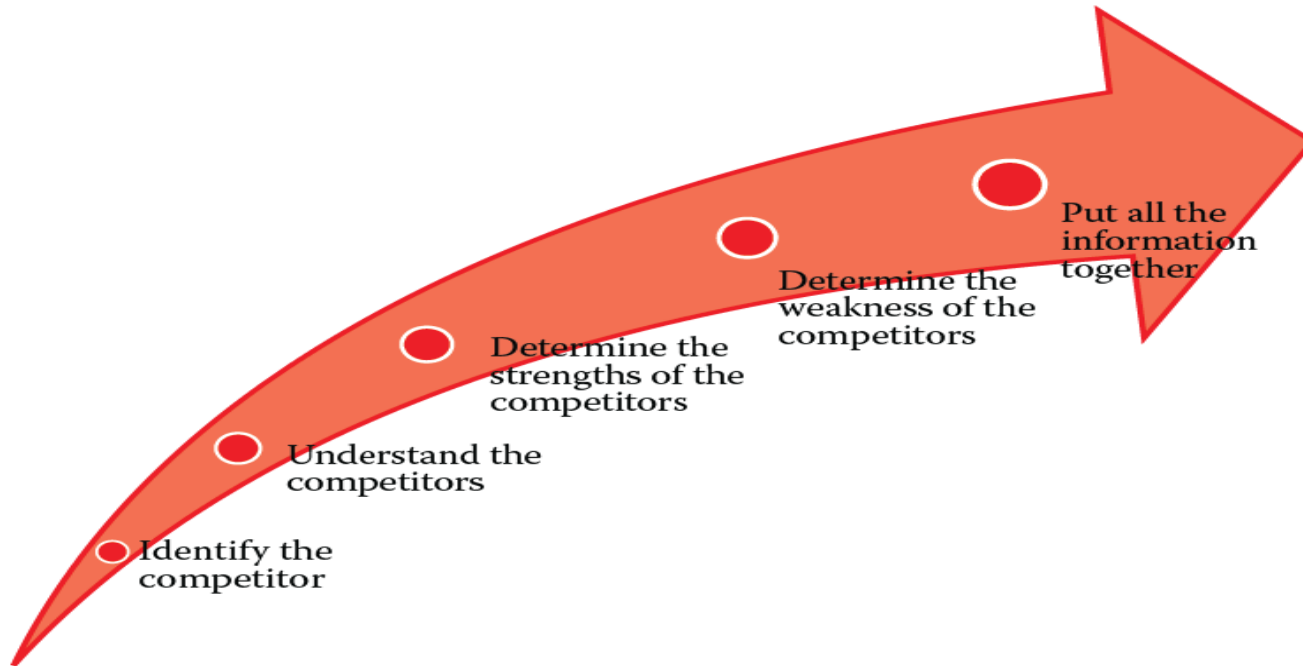
Involves problem recognition, seeking alternatives, information gathering, and making a final choice. Most significant for high-impact purchases like cars, TVs, and refrigerators.

Post-Decision Processes

After purchase, consumer reactions vary based on satisfaction, leading to repeat purchases and recommendations or dissatisfaction and dissonance.

COMPETITIVE STRATEGY

The **competitive strategy** of a firm within a certain business field is analyzed using two criteria:
the **creation of competitive advantage** and the **protection of competitive advantage**.



Steps to understand the Competitive Landscape

Competitive Intelligence



Competitive Landscape



Competitive Strategy



Competitive Advantage

KEY SUCCESS FACTORS



Key success factors are the prerequisites for industry success or, to put it another way, **KSFs are the factors that shape whether a company will be financially and competitively successful.**

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

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

IMPORTANT QUESTION TO BE ANSWERED TO IDENTIFY KSF'S

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



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



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



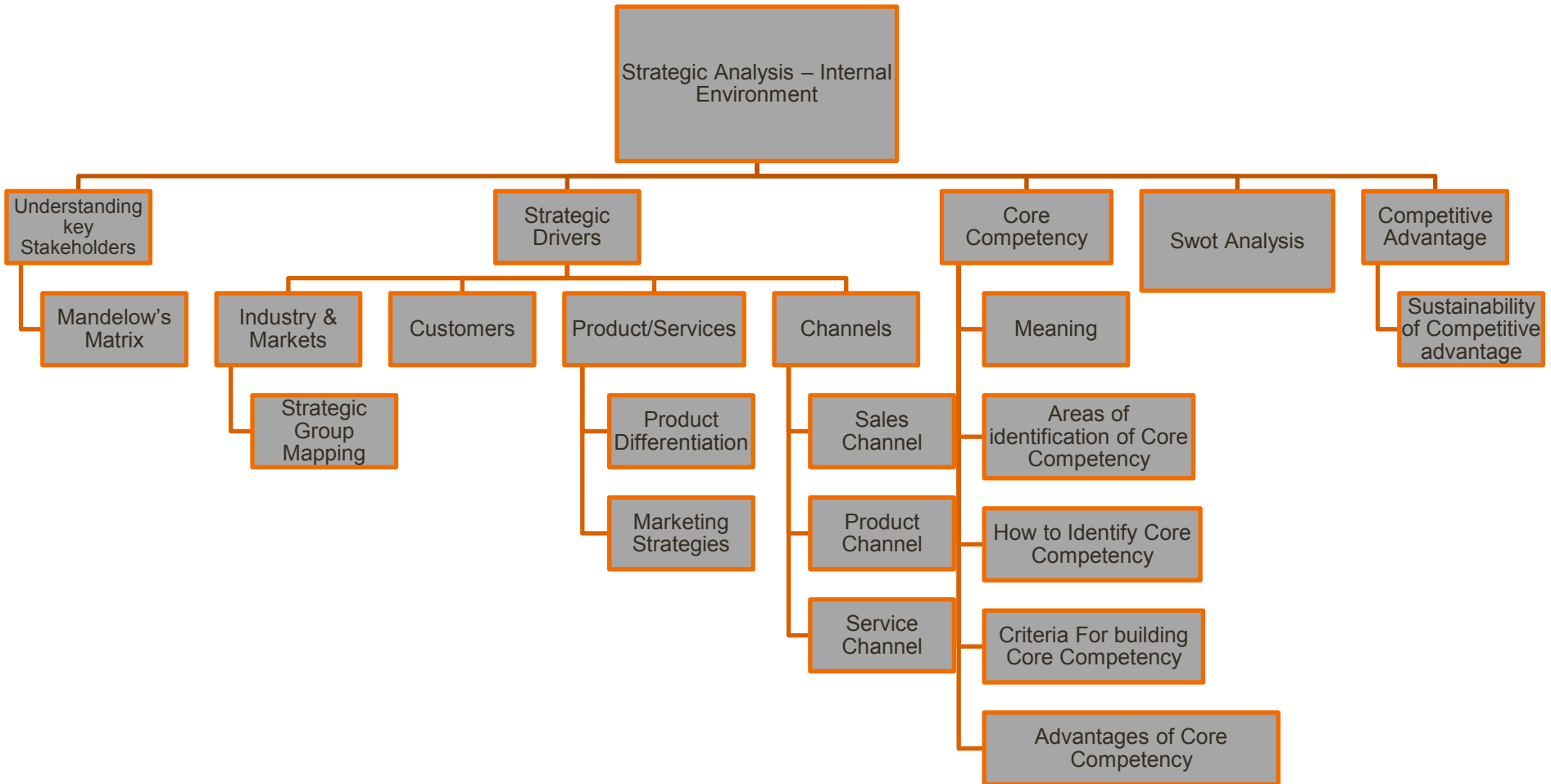


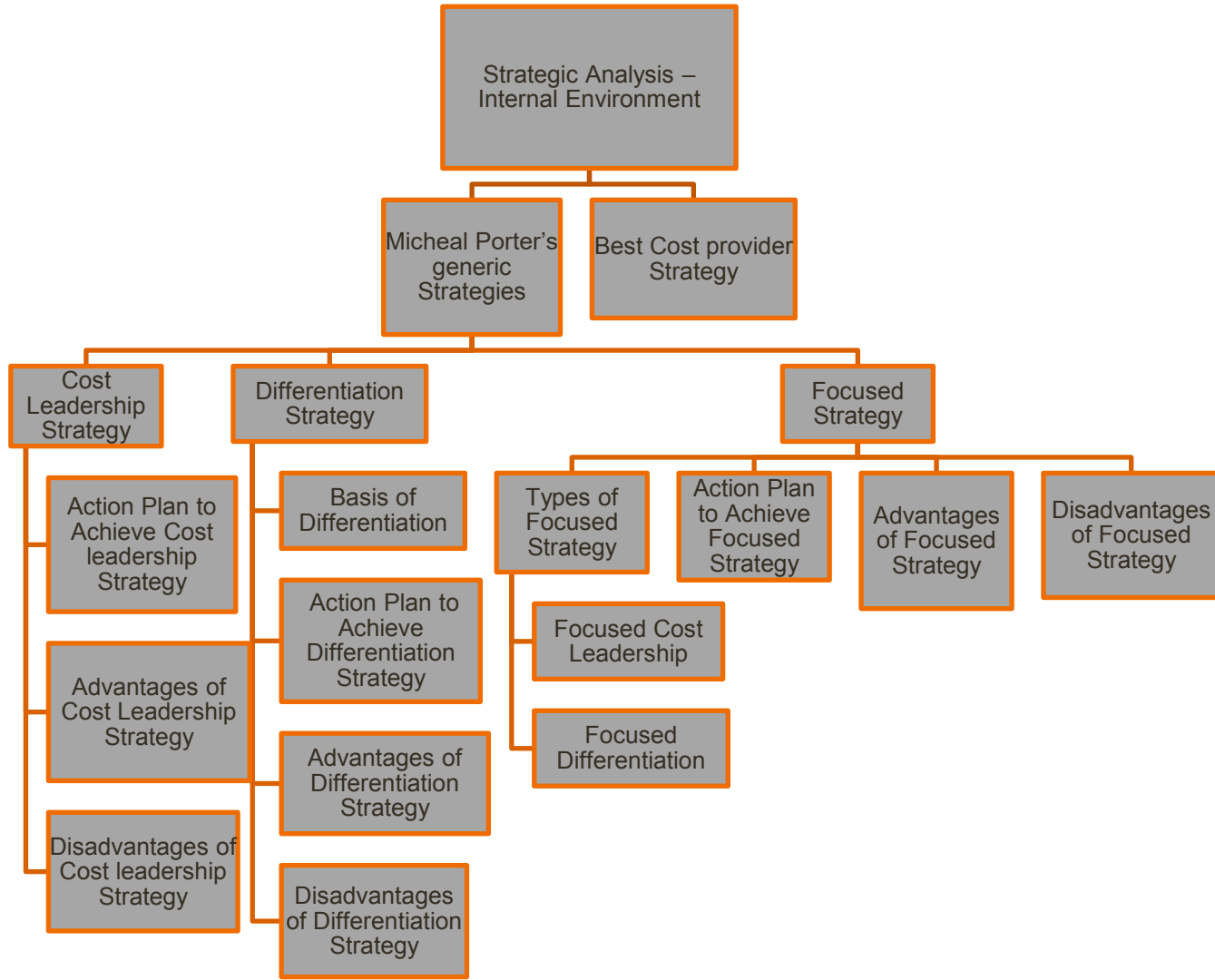
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STRATEGIC ANALYSIS

-

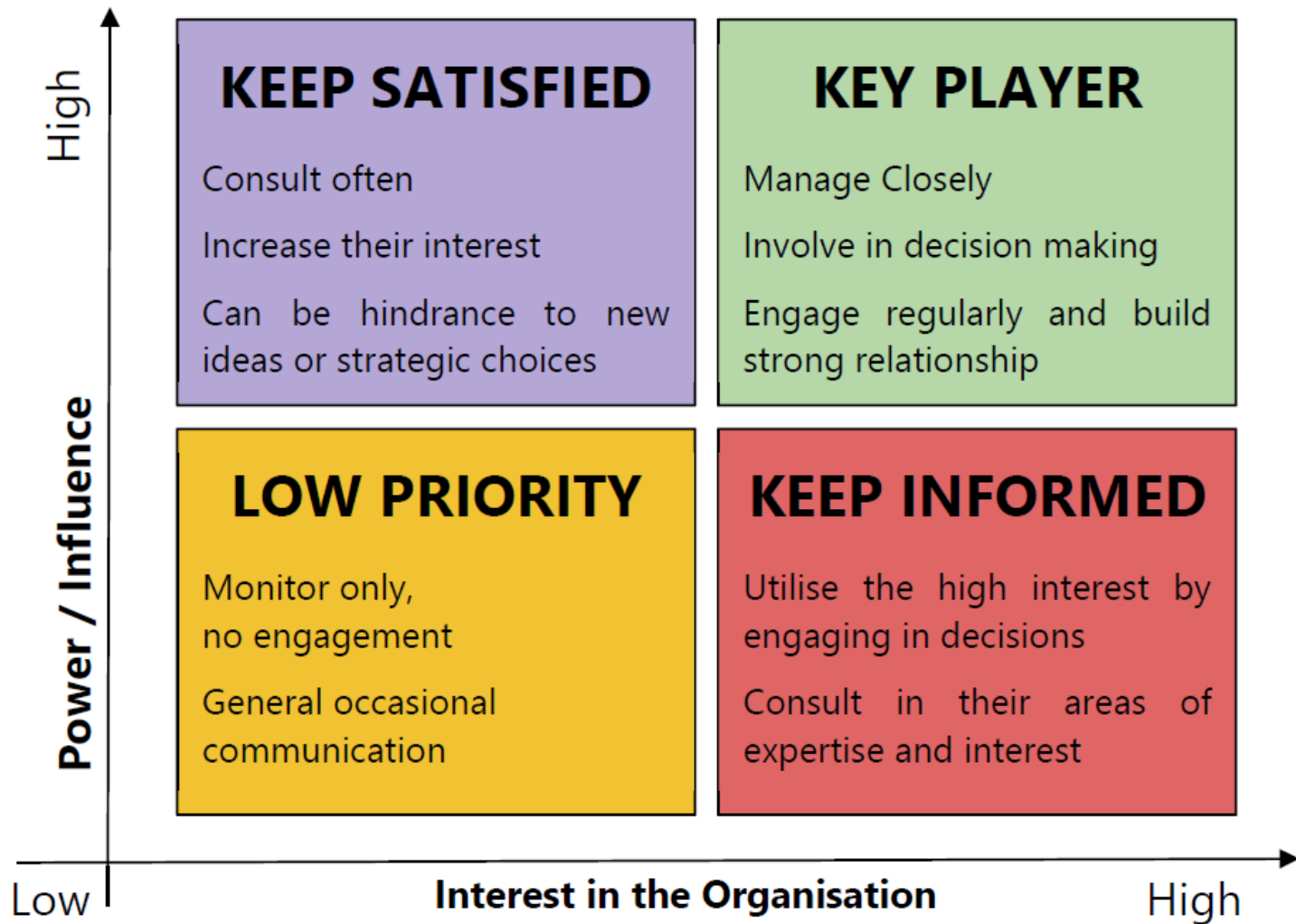
INTERNAL ENVIRONMENT





MANDELOW'S MATRIX

1. The Mendelow Stakeholder matrix also known as the **Stakeholder Analysis matrix** and the **Power-Interest matrix** is a simple framework to help manage **key stakeholders**.
2. Mendelow suggests that one should analyse stakeholder groups based on
 - **Power** (the ability to influence organisation strategy or resources) and
 - **Interest** (how interested they are in the organisation succeeding).



Keep Satisfied Stakeholders

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



Key Players Stakeholders

High power, highly interested people – Organisation's aim should be to fully engage this group of stakeholders, making the greatest efforts to satisfy them, take their advice, build actions and keep them informed with all information on a regular basis. For example, Shareholders, CEO, Board of Directors, etc



Low Priority Stakeholders

Low power, less interested people – Organisation should only monitor them with no actions to satisfy their expectations. Strategically, minimal efforts should be spent on this group of stakeholders while keeping an eye to check if their levels of interest or power change. For example, business magazines, media houses, etc.



Keep Informed Stakeholders

Low power, highly interested people – Organisation should adequately inform this group of people and communicate with them to ensure that no major issues arise. This audiences can also help with real time feedbacks and areas of improvement for an organisation. For example, employees, vendors, suppliers, legal experts, etc



TYPES OF STAKEHOLDERS

Sr. No.	Types	Nature	Organisation should-	Example
1.	KEEP SATISFIED Stakeholders	High Power Less Interested	put in enough work with these people to keep them satisfied with their intended information on a regular basis.	Banks, Government, Customers etc.
2.	KEY PLAYERS Stakeholders	High Power Highly Interested	fully engage this group of stakeholders, making the greatest efforts to satisfy them, take their advice, build actions, and keep them informed with all information on a regular basis.	Shareholders, CEO, Board of Directors, Partners etc.
3.	LOW PRIORITY Stakeholders	Low Power Less Interested	only monitor them with no actions to satisfy their expectations. Strategically, minimal efforts should be spent on this group of stakeholders while keeping an eye to check if their levels of interest or power change.	Business Magazines, Media Houses, etc.
4.	KEEP INFORMED Stakeholders	Low Power Highly Interested	adequately inform this group of people and communicate with them to ensure that no major issues arise. This audiences can also help with real time feedbacks and areas of improvement for an organisation.	Employees, Vendors, Suppliers, Legal Experts etc.

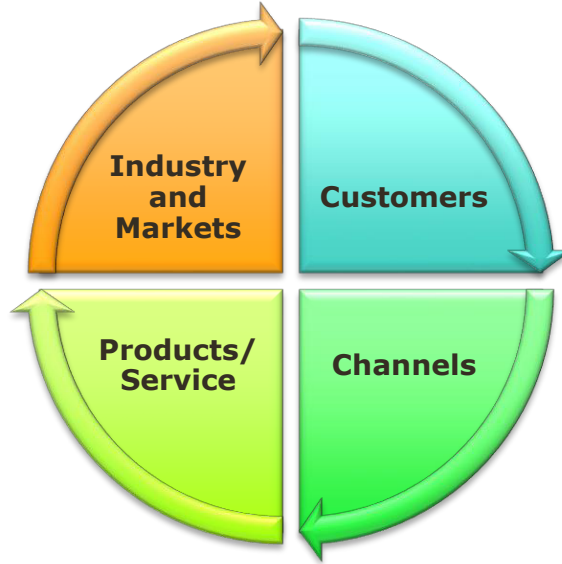
Identify and group the below stakeholders in the 4 groups as suggested by Mendelow for an Ecommerce startup.

- Ms. Suhasini (CEO), Key Player
- Mango Partners and TRIK Group (Investors) Key Player.
- MSME Ministry, Key Satisfied.
- Customers from North East India Key Satisfied.
- Sellers from Rajasthan, Key Informed.
- Jandhan Bank (Lender), Key Satisfied.
- Kumar S and Sharma T (Sr. Managers in the Co.) Key Player



STRATEGIC DRIVERS

Strategic drivers are **forces** that **shape** an organization's strategy.



INDUSTRY & MARKETS

- ❑ In terms of the internal environment, it is very important for an organisation to understand its relative position in the industry and in the market in which it operates.
- ❑ Industry and market analysis is extremely important to identify one's position as compared to the competitors, who can be of equal size and value, or bigger in size and value or even smaller and newer. A tool used for this is called - **Strategic Group Mapping**.

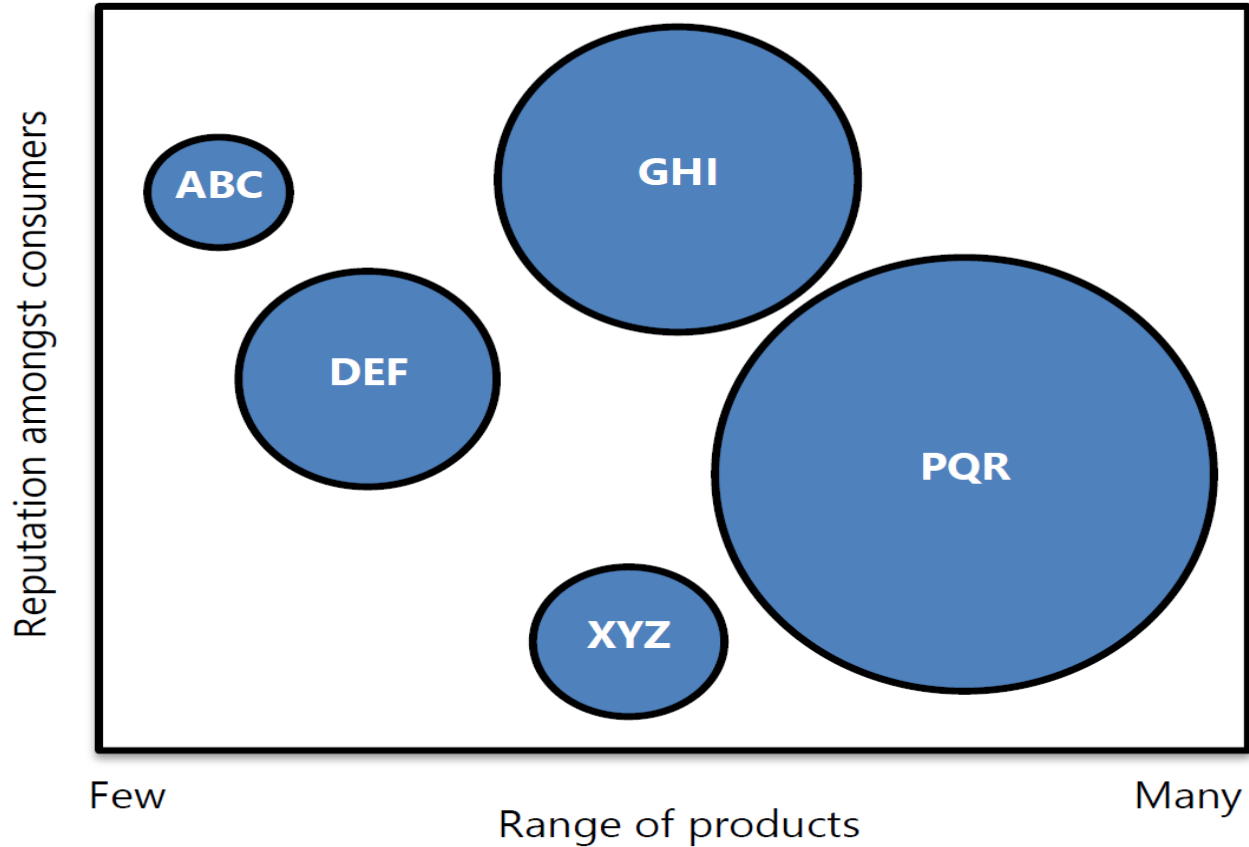
STRATEGIC GROUP MAPPING

Strategic Group Mapping is one of the analytical tools/ techniques, for evaluating the **market position of the Competitors/ Rivals in the industry**, by comparing the market positions of each Firm separately or grouping them into like positions.

PROCEDURE FOR STRATEGIC GROUP MAPPING

Step	Description
1	Identify the Competitive characteristics that differentiate Firms in the industry.
2	Plot the Firms on a two-variable map, using pairs of differentiating characteristics.
3	Classify Firms that follow the same strategy, into one Strategic Group.
4	Determine the position of each strategic group, by making it proportional to the size of the Group's respective share of total industry sales revenues.

STRATEGIC GROUP MAPPING - EXAMPLE



1. ABC, DEF, GHI, XYZ AND PQR are companies operating in the same industry. Let us assume these all are companies selling Laptops.
2. Y-Axis (Vertical) is the reputation of the company and on the X-Axis (Horizontal) is the range of their products.
3. Reputation is depicted through the size of the bubble of the company along with how high it is on the Y-Axis.
4. While on the X-Axis, we can see how huge their product range is, whether they have few models or they have many models on offer for the customers.
5. A simple glance of the mapping chart shows us that even though ABC has few models, but it has great reputation in the market.
6. Similarly, GHI has a good range of products and is the most reputed company in laptops.
7. Another view is that XYZ and GHI have the same number of models as both are on the same place on X-Axis, but GHI has much greater reputation than XYZ, as it has a bigger bubble and is higher on the Y-Axis.
8. Strategists can analyze the market by making any number of scenarios like above to understand the competition.

Thus, this analysis helps a business understand its competition in terms of two or more factor (like reputation and range of products in this case) in a single graphical representation.

CUSTOMERS

- ❑ Understanding the different types of customers to whom the organisation's products/services are sold or provided, is not only important but also the **first step** in deciding the **product/service**

A customer can be a consumer and vice versa. But for strategy teams especially marketing teams it is important to understand the customer and consumer separately.

	Customer	Consumer
Meaning	One who buys a product/service	One who finally uses/consumes the bought product/service
Example	1. A parent buying stationery products for their kids might be the customers. 2. Baby Diapers are bought by parents (customers) who are willing to pay higher price for higher quality.	1. Consumers are the kids who would actually use it. 2. Consumers are the babies, who are more concerned about the comfort and easiness. If babies do not accept the product i.e. if consumers aren't satisfied, it is difficult to retain the buyer i.e. customers as well.
Pricing Perspective	Customer is of more importance and from Perspective value creation and design/usability .	Consumer needs to be kept at the centre of decision making

PRODUCTS/SERVICES

- ❑ Products and services are closely linked and interrelated with the markets that the organisation wants to serve. In this component of the strategic drivers' analysis, business identifies the key products/ services that the organisation offers and how those products/services are performing.
- ❑ For a new product, pricing strategies for entering a market need to be designed and for that matter at least three objectives must be kept in mind:
 - **Have customer-centric approach while making a product.**
 - **Produce sufficient returns through a reasonable margin over cost.**
 - **Increasing market share.**

PRODUCT DIFFERENTIATION

- ❑ Products can also be differentiated on the basis of **size, shape, colour, packaging, brand names, after-sales service** and so on. Organizations seek to hammer into customers' minds that their products are different from others. It does not matter whether the differentiation is real or imaginary. Quite often the differentiation is psychological rather than physical.
- ❑ It is enough if customers are persuaded to **believe that the marketer's product is different from others**. **For example**, Shampoos with different branding namely Head & Shoulders, Olay, Old Spice, Pantene are all produced by the same company P&G.
- ❑ Organizations formalize product differentiation through designating '**brand names**' to their respective products. These are generally reinforced with legal sanction and protection. Brands enable customers to identify the product and the organization behind it.
- ❑ The products and even **firms' image** is built around **brands through advertising and other promotional strategies**. Customers tend to develop **strong brand loyalty** for a particular product over a period of time.

MARKETING STRATEGIES

The Various Marketing Strategies are as Follows

1. Social Marketing
2. Augmented Marketing
3. Direct Marketing
4. Relationship Marketing
5. Services Marketing
6. Person Marketing
7. Organization Marketing
8. Place Marketing
9. Enlightened Marketing
10. Differential Marketing
11. Synchro-marketing
12. Concentrated Marketing
13. Demarketing

Social Marketing

- It refers to the design, implementation, and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group to bring in a social change.
- For instance, the publicity campaign for prohibition of smoking in Delhi explained the place where one can and can't smoke and also indicates that smoking is injurious to health. *[marketing of company by giving social message] example - Warning on Road saying smoking is injurious to health.*

Augmented Marketing

- This type of marketing includes additional customer services and benefits that a product can offer besides the core and actual product that is being offered. It can be in the form of introduction of hi-tech services like movies on demand, online computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels. *Computer & free services for 6 months' Computer & headPhone bag & mouse.*

Direct Marketing

- Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response.
- Direct marketing includes catalogue selling, e-mail, telecomputing, electronic marketing, shopping, and TV shopping. *Adda Curry students to buy CA enter subscription.*

Relationship Marketing

Banks giving offers to customer maintaining high bank balance.
Indigo giving lounge access to frequent flyer.

- The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders.
- **For example**, Airlines offer special lounges at major airports for frequent flyers. Thus, providing special benefits to select customers to strengthen bonds. It can go a long way in building relationships.

Services Marketing

- It is applying the concepts, tools, and techniques, of marketing to services. Services is any activity or benefit that one party can offer to another that is essentially intangible. This marketing requires different marketing strategies since it has peculiar characteristics of its own such as inseparability, variability etc.

TV + Installation of TV, AC + Installation

Person Marketing

- People can also be marketed. Person marketing consists of activities undertaken to create, maintain or change attitudes and behaviour towards particular person.
- **For example**, politicians, sports stars, film stars, etc. i.e., market themselves to get votes, or to promote their careers.

Shahrukh Khan marketing himself by appearing in IPL matches, social events etc

Organization Marketing

Adani group add on TV

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

Place Marketing

- Place marketing involves activities undertaken to create, maintain, or change attitudes and behaviour towards particular places say, marketing of business sites, tourism marketing. 'modi visiting lakshadweep food blogger visiting restaurant.'

Enlightened Marketing

LIC

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

LIC showing benefits for a family

Differential Marketing

- It is a market-coverage strategy in which a firm decides to target several market segments and designs separate offer for each.
- For example, Hindustan Unilever Limited has Lifebuoy, Lux and Rexona in popular segment and Dove and Pears in premium segment.

Same type of product.

Hindustan Unilever, having different ad for different customers.

Synchro-marketing

movie theatre selling new prices show in morning

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

E-Square

70-80

E-Square = 200-250

7:30

8:00

Vijay = 40-60

Concentrated Marketing

- It is a market-coverage strategy in which a firm goes after a large share of one or few sub-markets. It can also take the form of Niche marketing.

Apple advertising only for iPhone

Demarketing

- It includes marketing strategies to reduce demand temporarily or permanently. The aim is not to destroy demand, but only to reduce or shift it. This happens when there is overfull demand.

Tata discontinuing its most sold vehicle model

- For example, buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand.

Crypta temporarily to shift demand to other products or to increase its exclusivity among customers.

CHANNELS

- ❑ Channels are the **distribution system** by which an organisation distributes its product or provides its service
- ❑ The wider and stronger the channel the better position a business has to fight and win over competition. Also, having robust channels of business distribution help keep new players away from entering the industry, thus acting as **barriers to entry**.

There are typically three channels that should be considered:



Sales channel

- These are the intermediaries involved in selling the product through each channel and ultimately to the end user.
- The key question is: Who needs to sell to whom for your product to be sold to your end user?
- **For example**, many fashion designers use agencies to sell their products to retail organisations, so that consumers can access them.

Product channel

- The product channel focuses on the series of intermediaries who physically handle the product on its path from its producer to the end user.
- This is true of Australia Post, who delivers and distributes many online purchases between the seller and purchaser when using eBay and other online stores.

Service channel

- The service channel refers to the entities that provide necessary services to support the product, as it moves through the sales channel and after purchase by the end user.
- The service channel is an important consideration for products that are complex in terms of installation or customer assistance.
- **For example**, a Bosch dishwasher may be sold in a Bosch showroom, and then once sold it is installed by a Bosch contracted plumber.

CHANNEL ANALYSIS

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

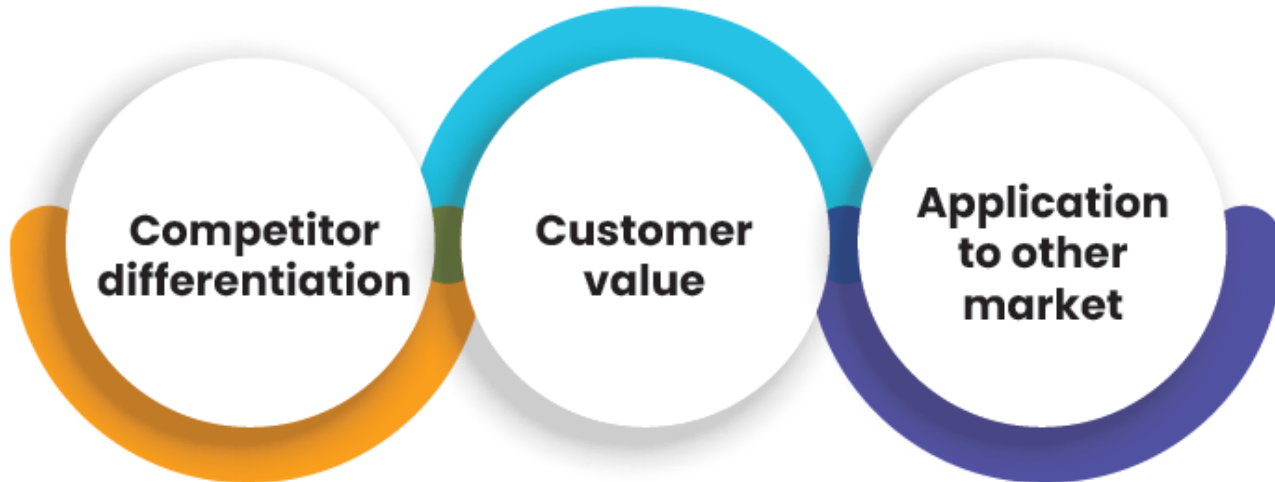
For Example - if a healthcare brand wants to reach out to elderly customers - they need to be more focused on offline mode of business where agents reach out physically to the elderly as most of their potential customers (i.e. the old aged) are not active on smartphones.

For Example - if a new drink brand wants to acquire customers - they need to place their products via every channel possible to get more attraction from customers like placing their drinks in stores, and shops alike, offering competitive campaigns to create awareness via online modes (social media) and so and so forth.

CORE COMPETENCY

- ❑ Core competencies are the knowledge, skills, and facilities necessary to design and produce core products. Core Competencies are created by superior integration of technological, physical and human resources. They represent distinctive skills as well as intangible, invisible, intellectual assets and cultural capabilities.
- ❑ Core competencies are often visible in the form of organizational functions.
- ❑ A core competency for a firm is whatever it does best

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



Building Core Competency

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

The second condition to be met is customer value. When purchasing a product or service it has to deliver a fundamental benefit for the end customer in order to be a core competence. If customer has chosen the company without this impact, then competence is not a core competence, and it will not affect the company's market position. Without it, the core competency does not make sense.

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

CRITERIA FOR BUILDING CORE COMPETENCY

VALUABLE

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

RARE

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

COSTLY TO IMITATE

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

NON-SUBSTITUTABLE

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

ADVANTAGES OF CORE COMPETENCIES

1. It Provides **competitive advantage**
2. To ensure profits, the Firm should ensure to have a good '**fit**' between **Core Competencies, and the changing nature of the environment.**
3. Core Competencies are the basis on which the Firm stretches into **new opportunities.**
4. Core Competencies help in **maintaining progress**, even after the traditional markets are **saturated.**
5. **Core Competence-based diversification** reduces risk and investment, and increases the opportunities for **transferring learning and best practice across various Business Units.**
6. Core Competencies distinguish a **Company competitively** and **reflect its personality.**

SWOT ANALYSIS



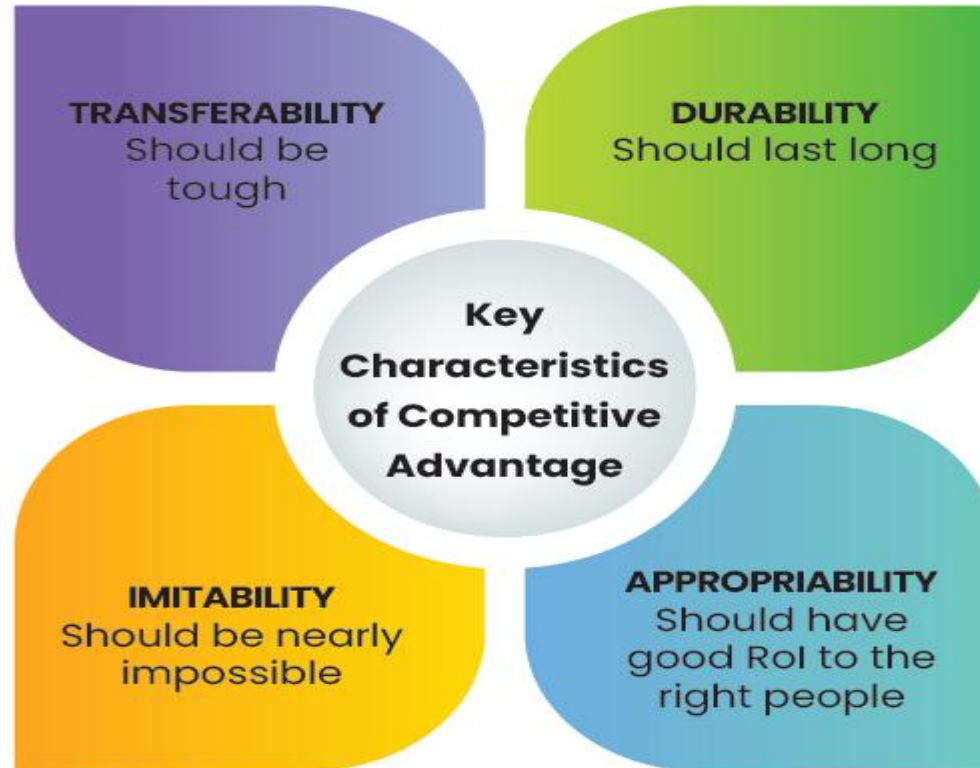
COMPETITIVE ADVANTAGE

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

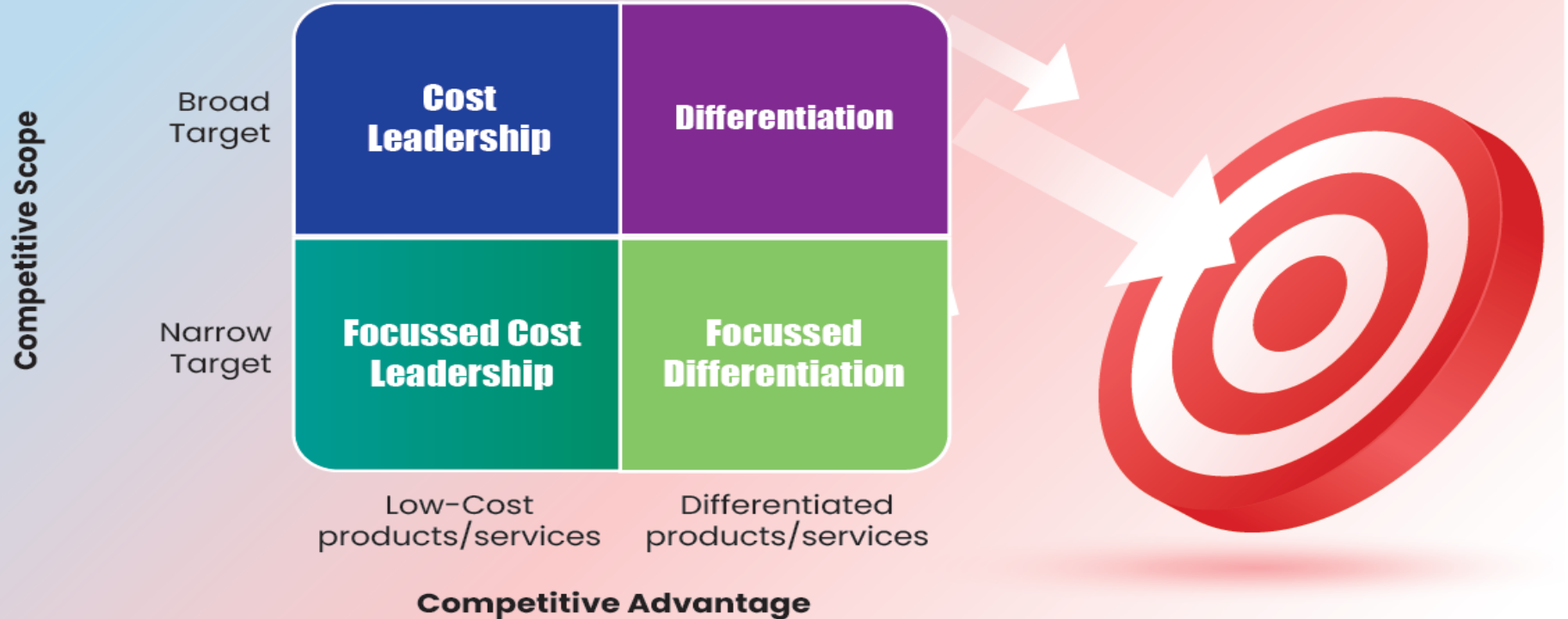
“If you don’t have a competitive advantage, don’t compete”

– Jack Welch

SUSTAINABILITY OF COMPETITIVE ADVANTAGE



MICHEAL PORTER'S GENERIC STRATEGIES



COST LEADERSHIP STRATEGY

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

- when the market is composed of many price-sensitive buyers and
- when there are few ways to achieve product differentiation.

Some risks of pursuing cost leadership are;

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

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

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

ADVANTAGES OF COST LEADERSHIP STRATEGY

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

1. **Rivalry** – Competitors are likely to avoid a price war, since the low-cost firm will continue to earn profits even after competitors compete away their profits.
2. **Buyers** – Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product.
3. **Suppliers** – Cost leaders are able to absorb greater price increases from suppliers before they need to raise prices for customers.
4. **Entrants** – Low-cost leaders create barriers to market entry through their continuous focus on efficiency and cost reduction.
5. **Substitutes** – Low-cost leaders are more likely to lower the costs to induce existing customers to stay with their products, invest in developing substitutes, and even purchase patents.

DISADVANTAGES OF COST LEADERSHIP STRATEGY

1. Cost advantage **may not last long** as competitors may **imitate** cost reduction techniques.
2. Cost leadership can **succeed only** if the firm can achieve **higher sales volume**.
3. Cost leaders tend to keep their costs low by minimizing cost of advertising, market research, and research and development, **but this approach can prove to be expensive in the long run**.
4. **Technological advancement** areas a **great threat** to cost leaders.

DIFFERENTIATION STRATEGY

Differentiation

This strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.

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

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

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

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

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

ADVANTAGES OF DIFFERENTIATION STRATEGY

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

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

DISADVANTAGES OF DIFFERENTIATION STRATEGY

1. In the long term, **uniqueness is difficult to sustain.**
2. **Charging too high a price** for differentiated features may cause the customer to switch-off to another alternative. As we see a shift of iPhone users to other android flagship smart phones.
3. Differentiation fails to work if its basis is something **that is not valued by the customers.** Home delivery of packed snacks in 30 minutes would not even be a differentiator as the consumer wouldn't value such an offer.

FOCUSED STRATEGY

- ❑ A successful focus strategy depends on an industry segment that is of sufficient size, has good growth potential, and is not crucial to the success of other major competitors.
- ❑ Focus strategies are most effective when consumers have distinctive preferences or requirements, and when the rival firms are not attempting to specialize in the same target segment.
- ❑ Risks of pursuing a focus strategy are
 - The possibility of numerous competitors recognizing the successful focus strategy and imitating it.
 - The consumer preferences may drift towards the product attributes desired by the market as a whole.
 - An organization using a focus strategy serve a narrow market than competitors who serve a broader market.

FOCUSED COST LEADERSHIP



FOCUSED DIFFERENTIATION



ACTION PLAN TO ACHIEVE FOCUSED STRATEGY

1. **Selecting specific niches** which are not covered by cost leaders and differentiators.
2. **Creating superior skills** for catering such niche markets.
3. Generating **high efficiencies** for serving such niche markets.
4. Developing **innovative ways** in managing the value chain.

ADVANTAGES OF FOCUSED STRATEGY

1. **Premium prices can be charged** by the organisations for their focused product/services.
2. Due to the **tremendous expertise** in the goods and services that the organisations following focus strategy offer, **rivals and new entrants may find it difficult to compete.**

DISADVANTAGES OF FOCUSED STRATEGY

1. The firms **lacking in distinctive competencies** may not be able to pursue focus strategy.
2. Due to the **limited demand of product/services**, costs are high, which can cause problems.
3. In the long run, **the niche could disappear or be taken over by larger competitors** by acquiring the same distinctive competencies.

BEST- COST PROVIDER STRATEGY

- ❑ Best-cost provider strategy involves providing **customers more value for the money by emphasizing on lower cost and better-quality differences**. It can be done through:
 - offering products at **lower price** than what is being offered by rivals for **products with comparable quality and features**
 - Or
 - **Charging similar price** as by the rivals for products **with much higher quality and better features**.
- ❑ **For example**, android flagship phones from OnePlus, Xiaomi, Oppo, Vivo, etc, are all rooting for giving better quality at lowest prices to the customers. They are following the best-cost provider strategy to penetrate market.

Best-Cost Provider Strategy



Figure: The Five Generic Competitive Strategies

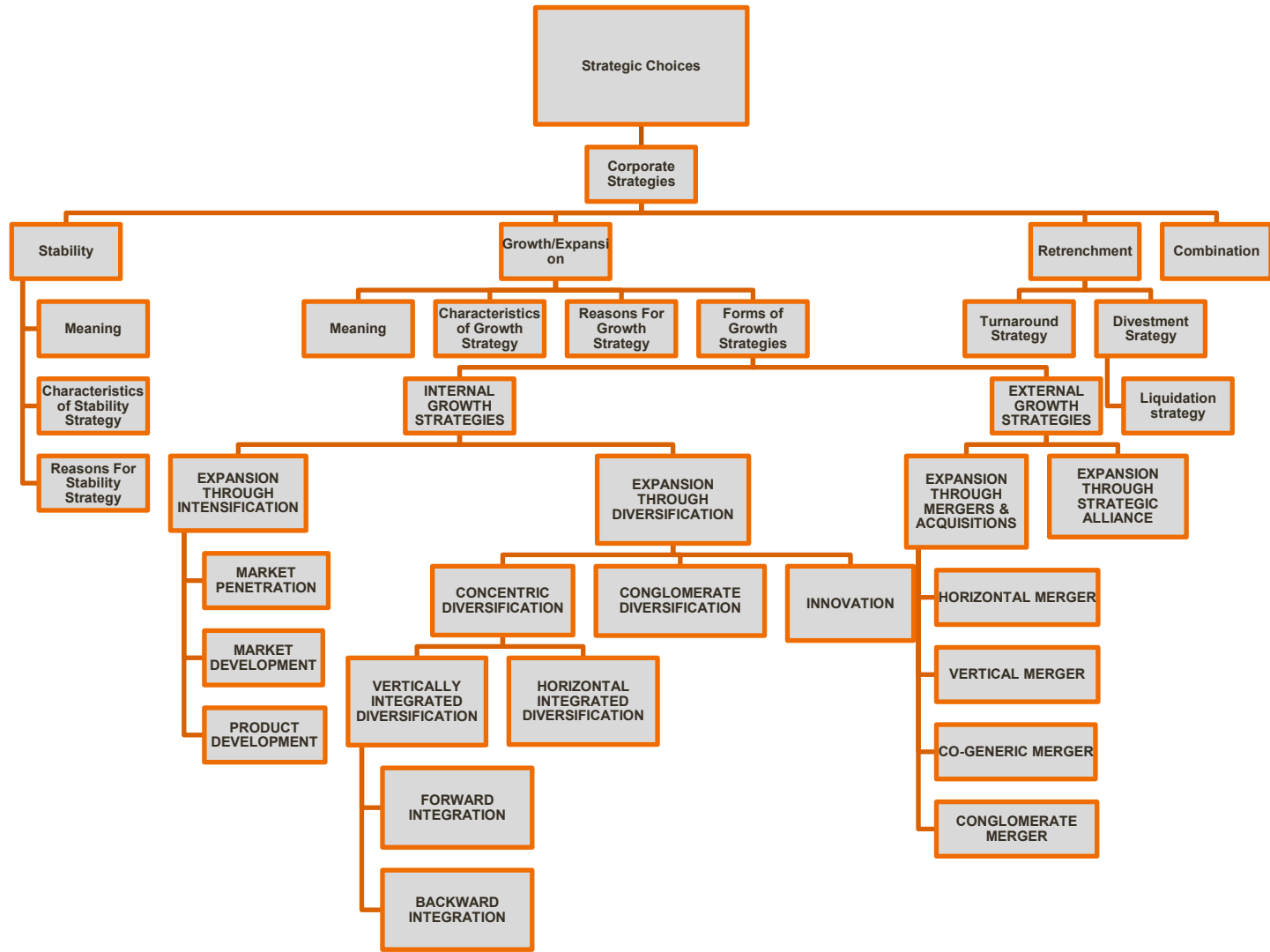


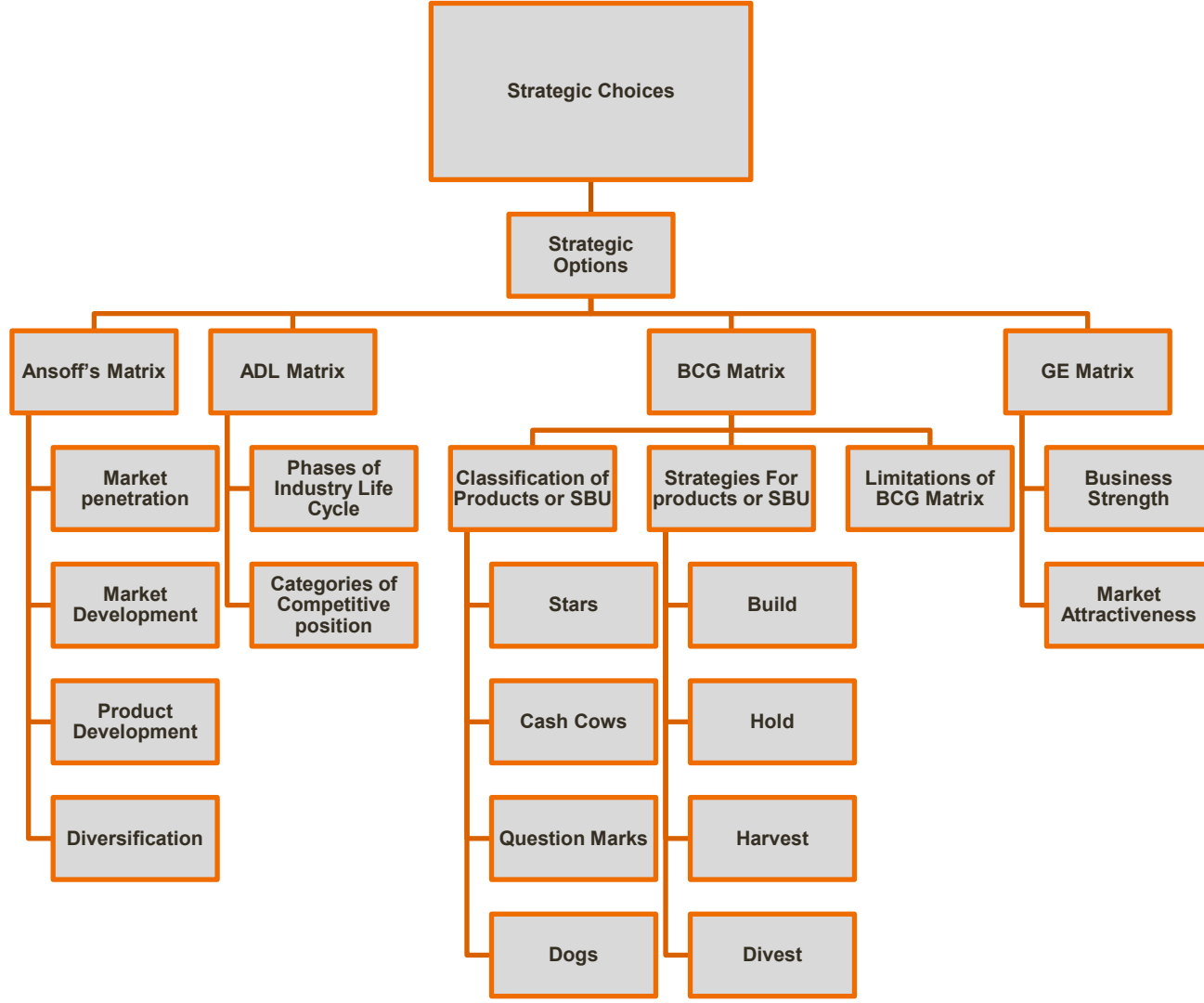
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STRATEGIC CHOICES







TYPES OF STRATEGIES ON THE BASIS OF THEIR CLASSIFICATION

BASIS OF CLASSIFICATION	TYPES OF STRATEGIES
Level of the organization	✓ Corporate Level ✓ Business Level ✓ Functional Level
Stages of Business Life Cycle	✓ Entry/Introduction Stage - Market Penetration Strategy ✓ Growth Stage - Growth/Expansion Strategy ✓ Maturity Stage - Stability Strategy ✓ Decline Stage - Retrenchment/ Turnaround Strategy
Competition oriented	✓ Competitive Strategies - Cost Leadership, Differentiation, Focus ✓ Collaboration Strategies - Joint Venture, Merger & Acquisition, Strategic Alliance.

Corporate Strategy

```
graph TD; A[Corporate Strategy] --> B[Stability]; A --> C[Growth/Expansion]; A --> D[Retrenchment]; A --> E[Combination];
```

Stability

Growth/Expansion

Retrenchment

Combination

Basic Features of Corporate Strategies

Strategy	Basic Feature
Stability	The firm stays with its current businesses and product markets; maintains the existing level of effort; and is satisfied with incremental growth.
Expansion	Here, the firm seeks significant growth-maybe within the current businesses; maybe by entering new business that are related to existing businesses; or by entering new businesses that are unrelated to existing businesses.
Retrenchment	The firm retrenches some of the activities in some business (es), or or drops the business as such through sell-out or liquidation.
Combination	The firm combines the above strategic alternatives in some permutation/combination so as to suit the specific requirements of the firm.

STABILITY STRATEGY



When to Pursue Stability Strategy?

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



Characteristics of Stability Strategy

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



Major Reasons for Stability Strategy

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



Examples of Stability Strategy

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



Why don't Startups aim for Stability?

A startup is an entrepreneurial venture in the early stages of ideation and development, generally created for solving real-life problems through technology. For it, the most important factors are speed and agility, because of it being in a nascent stage of operations. Stability on the other hand is a more meaningful strategy when the size of operations is expanded to full capacity and business is at a mature stage. Thereby, we rarely see startups aiming for stability.

GROWTH/ EXPANSION STRATEGY

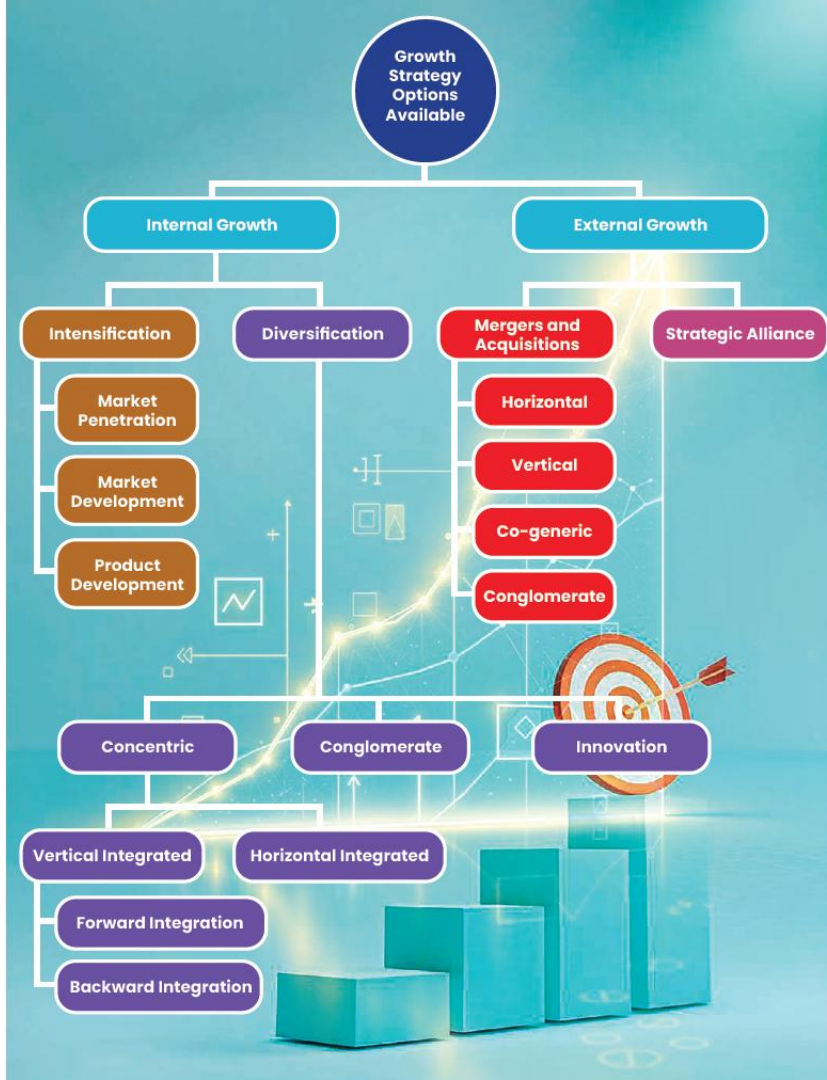


MAJOR REASONS FOR GROWTH /EXPANSION STRATEGY



Major Reasons for Growth/Expansion Strategy

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



EXPANSION THROUGH INTENSIFICATION

Market Penetration

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

Market Development

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

Product Development

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

EXPANSION THROUGH DIVERSIFICATION

Diversification is defined as an **entry into** –

- **New products or product lines,**
- **New services or new markets,**
- **Involving substantially different skills, technology and knowledge.**

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

1. **Concentric diversification** : Diversification into related business to benefit from synergistic gains
2. **Conglomerate diversification** : Diversification into unrelated business to explore more opportunities beyond existing areas of expertise
3. **Expansion through Innovation**

CONCENTRIC DIVERSIFICATION

- ❑ Concentric diversification takes place when the **products are related**.
- ❑ In this diversification, the new business is **linked to the existing businesses through process, technology or marketing**.
- ❑ **The new product is a spin-off from the existing facilities and products/processes**. This means that in concentric diversification too, there are benefits of **synergy with the current operations**.
- ❑ **The new product is only connected in a loop-like manner at one or more points in the firm's existing process/technology/product chain**.
- ❑ **For example**, a company producing clothes ventures into the manufacturing of shoes , Dominos Selling garlic breads With Pizza.
- ❑ Concentric diversification is generally understood in two directions, **vertical** and **horizontal** integration;

VERTICALLY INTEGRATED DIVERSIFICATION

- ❑ In vertically integrated diversification, firms opt to engage in businesses **that are related to the existing business of the firm.**
- ❑ The firm remains **vertically within the same process sequence moves forward or backward** in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm.
- ❑ The characteristic feature of vertically integrated diversification is that the firm **remains in the vertically linked product-process chain.**
- ❑ A firm can either opt for **forward or backward** integration or horizontal integration.

BACK WARD INTEGRATION

- ❑ Backward integration is concerned with creation of **effective supply** by entering business of **input providers**.
- ❑ Strategy employed to expand profits and **gain greater control over production/supply of a product** whereby a company will purchase or build a business that will increase its **own supply capability or lessen its cost of production**.
- ❑ **For example**, A large supermarket chain considers to purchase a number of farms that would provide it a significant amount of fresh produce , Ikea Buying 83000 Hectares of Forest in Romania.

FORWARD INTEGRATION

- ❑ Forward integration is **moving forward in the value chain and entering business lines that use existing products**.
- ❑ Forward integration will also take place where organizations enter into **businesses of distribution channels**.
- ❑ **For example**, A coffee bean manufacture may choose to merge with a coffee café , Farmer Selling his own products Directly in market.

HORIZONTAL INTEGRATED DIVERSIFICATION

- ❑ A firm gets horizontally diversified by integrating through **acquisition of one or more similar businesses operating at the same stage of the production-marketing chain.**
- ❑ They can also integrate with the firms producing **complementary products or by-products** or by taking over competitors' products.
- ❑ For example, when a notebook manufacturer starts to manufacture pencils and when they enter pencil manufacturing.

CONGLOMERATE DIVERSIFICATION

- ❑ In conglomerate diversification, **no linkages related to product, market or technology exist; the new businesses/products are disjointed from the existing businesses/products in every way; it is a totally unrelated diversification.**
- ❑ In process/technology/function, there is no connection between the new products and the existing ones.
- ❑ Conglomerate diversification **has no common thread at all** with the firm's present position.
- ❑ For example,
 - A cement manufacturer diversifies into the manufacture of steel and rubber products.
 - ITC, a tobacco-to-hotels conglomerate, is one of the few organizations that successfully diversified far its main sector. The organization, which began as a tobacco product producer, has now grown into hotels, paper and packaging, as well as agribusiness and food.
 - Ola, the ride-hailing platform, has successfully ventured into electric scooters with its Ola Electric brand.

Related vs. Unrelated Diversification

Concentric Diversification

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

Conglomerate Diversification

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

INNOVATION

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

But why should Business Innovate to Diversify?



Solve Complex Problems

- Sustainable Energy
- Healthcare



Increase Productivity

- Artificial Intelligence
- Machine Learning



Gives Competitive Advantage

- Charge Premium
- Become Monopoly

EXPANSION THROUGH MERGERS & ACQUISITIONS

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

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

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

TYPES OF MERGERS

HORIZONTAL MERGER

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

VERTICAL MERGER

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

CO-GENERIC MERGER

In Co-generic merger two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies.

CONGLOMERATE MERGER

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

EXPANSION THROUGH STRATEGIC ALLIANCE

- ❑ A strategic alliance is a relationship between **two or more businesses** that enables each to achieve certain strategic objectives which neither would be able to achieve on its own.
- ❑ The strategic partners maintain **their status as independent and separate entities**, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated.
- ❑ Strategic alliances are often formed in the **global marketplace between businesses that are based in different regions of the world.**

ADVANTAGES OF STRATEGIC ALLIANCE



ORGANIZATION

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



ECONOMIC

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



STRATEGIC

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



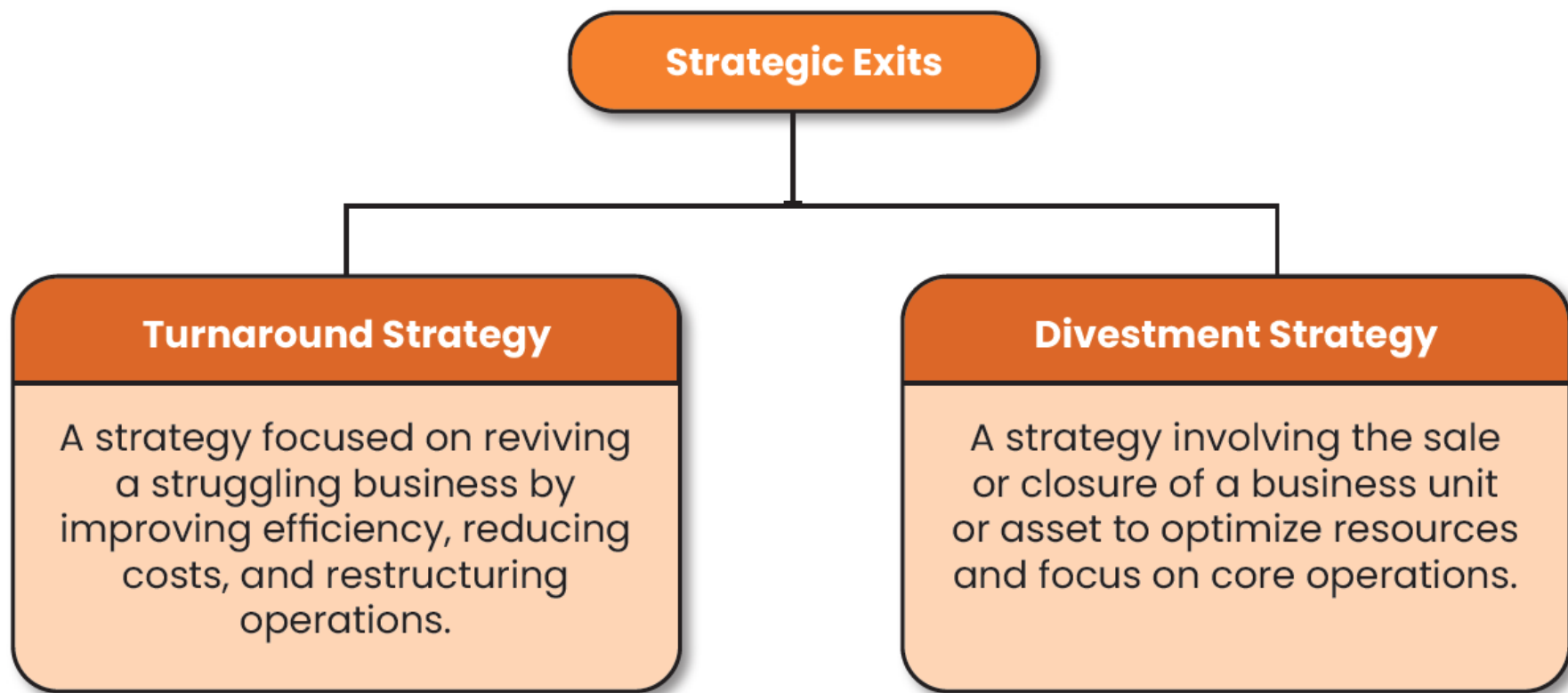
POLITICAL

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

DISADVANTAGES OF STRATEGIC ALLIANCE

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

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



TURNAROUND STRATEGY



ACTION PLAN FOR TURNAROUND



ELEMENTS OF TURNAROUND STRATEGY

- ❖ Changes in the top management
- ❖ Initial credibility building actions
- ❖ Neutralising external pressures
- ❖ Identifying quick payoff activities
- ❖ Quick cost reductions
- ❖ Revenue generation
- ❖ Asset liquidation for generating cash
- ❖ Better internal coordination

DIVESTMENT STRATEGY

- ❑ Divestment strategy involves the **sale or liquidation of a portion of business, or a major division, profit centre or SBU.**
- ❑ Divestment is usually a **part of rehabilitation or restructuring plan** and is adopted when a **turnaround has been attempted but has proved to be unsuccessful.**
- ❑ The option of a turnaround may even be ignored if it is obvious that divestment is the **only answer.**
- ❑ Example – Divestment of Air India by GOI

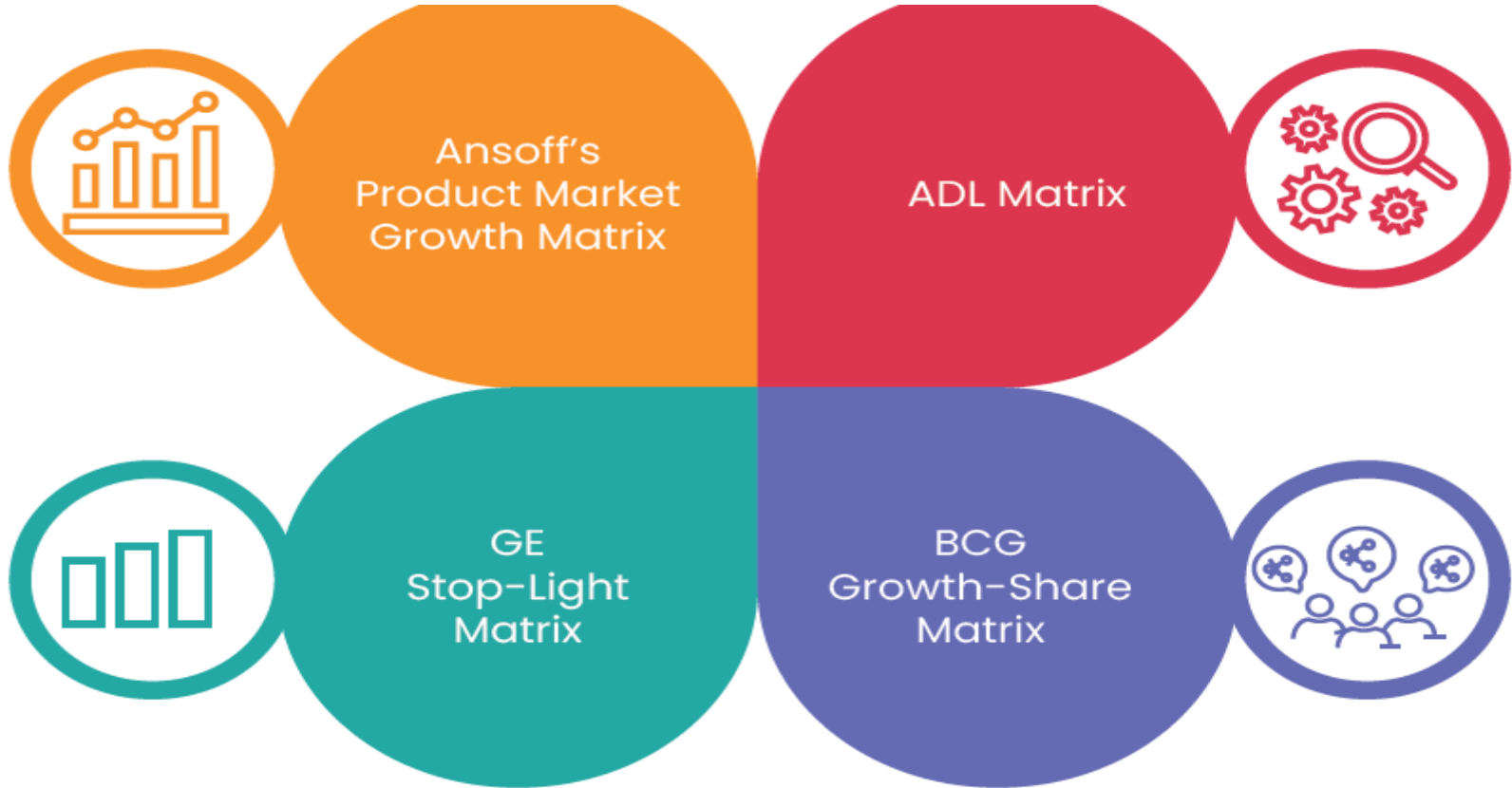
CHARACTERSTICS OF DIVESTMENT STRATEGY

- ❑ This strategy involves **divestment of some of the activities in a given business of the firm or sell-out of some of the businesses as such.**
- ❑ Divestment is to be viewed as an integral part of corporate strategy without any stigma attached.

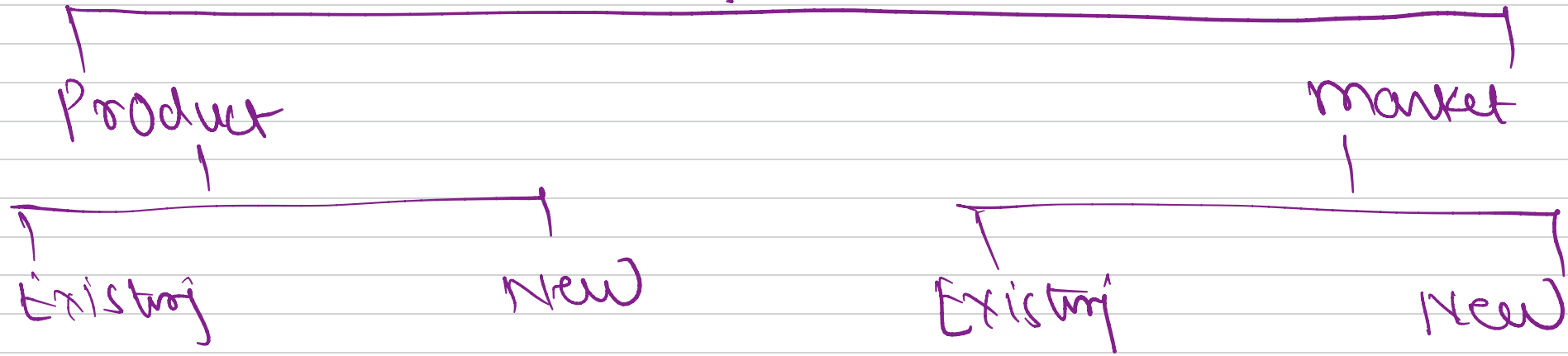
REASONS FOR DIVESTMENT STRATEGY

- ❑ The management **no longer** wishes to remain in business either partly or wholly due to **continuous losses and unviability**.
- ❑ The management feels that **business could be made viable by divesting some of the activities or liquidation of unprofitable activities**.
- ❑ A business that had been **acquired** proves to be a **mismatch** and cannot be integrated within the company.
- ❑ **Persistent negative cash flows from a particular business create financial problems for the whole company, creating the need for divestment of that business.**
- ❑ **Severity of competition** and the inability of a firm to cope with it may cause it to divest.
- ❑ It is **not possible for the business to do Technological upgradation** that is required for the business to survive, a preferable option would be to divest.
- ❑ **A better alternative may be available for investment**, causing a firm to divest a part of its unprofitable business.

STRATEGIC OPTIONS

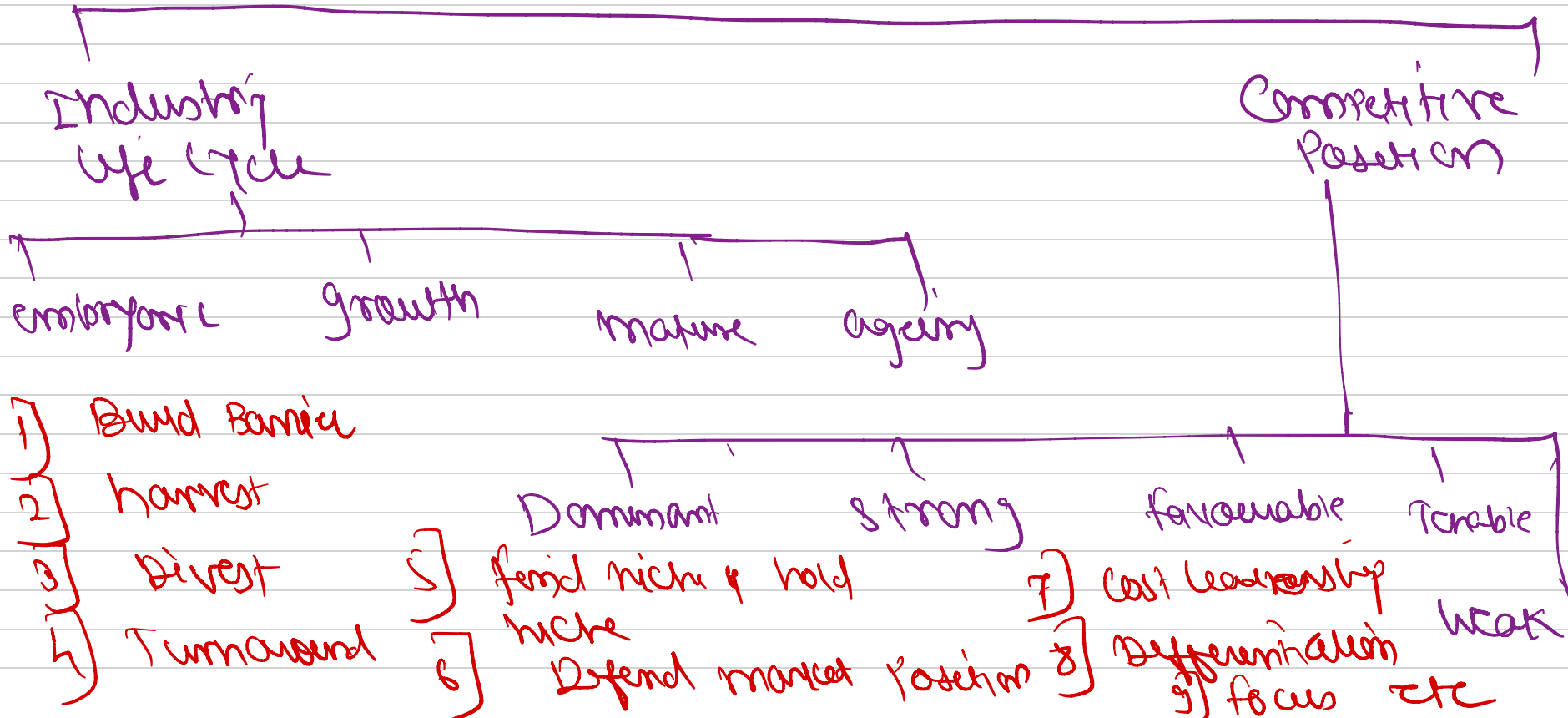


Ansoff matrix

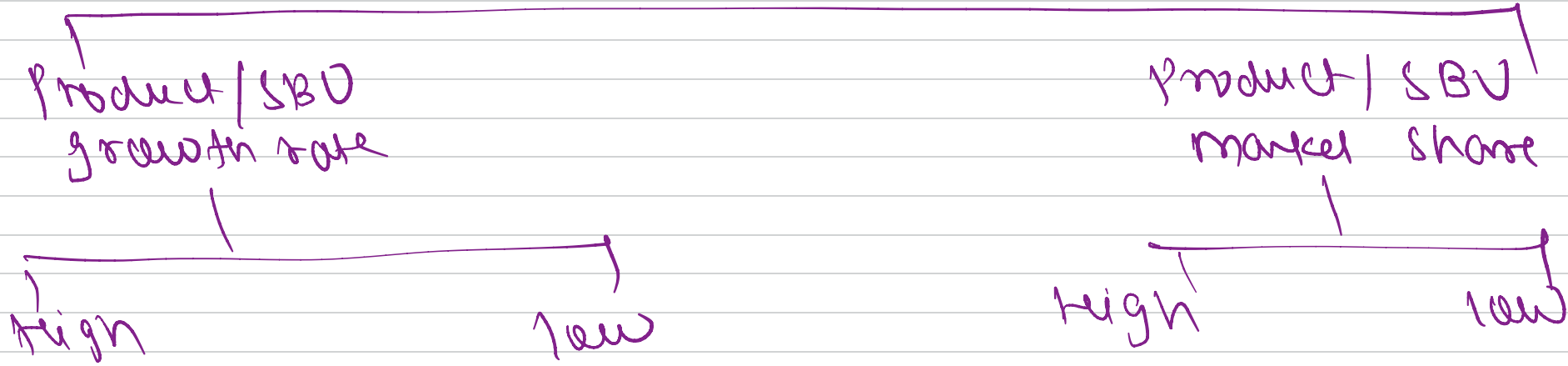


- ① market Penetration (Existing Product in Existing market)
- ② market Development (Existing Product in New market)
- ③ Product Development (New Product in Existing market)
- ④ Diversification (New Product in New market)

ADL matrix



BCG matrix



Identification of SBU or Product

- | | |
|------------|-----------------|
| ① Star | ③ Question mark |
| ② Cash cow | ④ Dog |

Strategy

- | | |
|-----------|-----------|
| ① Build | ④ Divest. |
| ② Hold | |
| ③ Harvest | |

GE matrix

Market
Attractiveness

Business
Strength

low

medium

high

Strong

Average

Weak

Strategies

- 1] Invest / Expand
- 2] Harvest / Divest

3] Strategy at the
Discretion of management

ANSOFF'S PRODUCT MARKET GROWTH MATRIX

ANSOFF'S PRODUCT MARKET GROWTH MATRIX

- **Categorises businesses based on :** Market Newness vs Product Newness
- **Options Available :** Market Penetration, Market Development, Product Development & Diversification
- **Most suitable for :** businesses which are ready to experiment and innovate

Ansoff's Product Market Growth Matrix



Strategies proposed Under Ansoff Matrix

1. Market Penetration

2. Market Development

3. Product Development

4. Diversification

1) New Product New market - Diversification

2) New Product existing market - Product Development

3) Existing Product New market - market Development

4) Existing Product existing market - market Penetration

In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:

(i) **A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.** *Market Penetration*

(ii) **A business giant in hotel industry decides to enter into dairy business.** *Diversification*

(iii) **One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.** *Market Development*

(iv) **A renowned auto manufacturing company launches ungeared scooters in the market.** *Product Development*



ADL MATRIX

ADL STRATEGIC CONDITION MATRIX

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

PHASES OF INDUSTRY LIFE CYCLE

1. **Embryonic** – The introduction stage, characterized by rapid market growth, very little competition, new technology, high investment and high prices.
2. **Growth** – The market continues to strengthen, sales increase, few (if any) competitors exist, and the company reaps rewards for bringing a new product to market.
3. **Mature** – The market is stable, there's a well-established customer base, market share is stable, there are lots of competitors, and energy is put toward differentiating from competitors.
4. **Ageing** – Demand decreases, companies start abandoning the market, the fight for market share among remaining competitors gets too expensive, and companies begin leaving or consolidating until the market's demise.

CATEGORIES OF COMPETITIVE POSITION

1. **Dominant** – This is rare and typically short-lived. There's little, if any, competition, usually a result of bringing a brand-new product to market or having built an extremely strong reputation in the market (think Microsoft).
2. **Strong** – Market share is strong and stable, regardless of what your competitors are doing.
3. **Favorable** – Your business line enjoys competitive advantages in certain segments of the market. However, there are many rivals of equal strength, and you have to work to maintain your advantage.
4. **Tenable** – Your position in the overall market is small, and market share is based on a niche, a strong geographic location, or some other product differentiation. Strong competitors are overtaking your market share by building their products and defining clear competitive advantages.
5. **Weak** – There's continual loss of market share, and your business line, as it exists, is too small to maintain profitability.

It is four by five matrix as follows:

Stage of industry maturity - Arthur D. Little (ADL) Matrix				
Competitive position	Embryonic	Growth	Mature	Ageing
Dominant	- Fast grow - Build barriers - Act offensively	- Fast grow - Attend cost leadership - Renew - Defend position - Act offensively	- Defend position - Attend cost leadership - Renew - Fast grow - Act offensively	- Defend position - Renew - Focus - Consider withdrawal
Strong	- Differentiate - Fast grow	- Differentiate - Lower cost - Attack small firms	- Lower cost - Focus - Differentiate - Grow with industry	- Find niche - Hold niche - Harvest
Favorable	- Differentiate - Focus - Fast grow	- Focus - Differentiate - Defend	- Focus - Differentiate - Harvest - Find niche - Hold niche - Turnaround - Grow with industry - Hit smaller firms	- Harvest - Turnaround
Tenable	- Grow with industry - Focus	- Hold niche - Turnaround - Focus - Grow with industry - Withdraw	- Turnaround - Hold niche - Retrench	- Divest - Retrench
Weak	- Find niche - Catch-up - Grow with industry	- Turnaround - Retrench - Niche or withdraw	- Withdraw - Divest	- Withdraw

* Build Barriers = make way difficult for others.

* Act offensively = Act in a way to upset anyone in competition.

* Niche = Specific or Particular market.

* Defend position = retain valuable customers.

* Withdraw = withdrawal from market /
leave market

* Harvest = reduction in investing &
harvesting funds in another
profitable opportunity.

* Divest = liquidate & use funds
elsewhere.

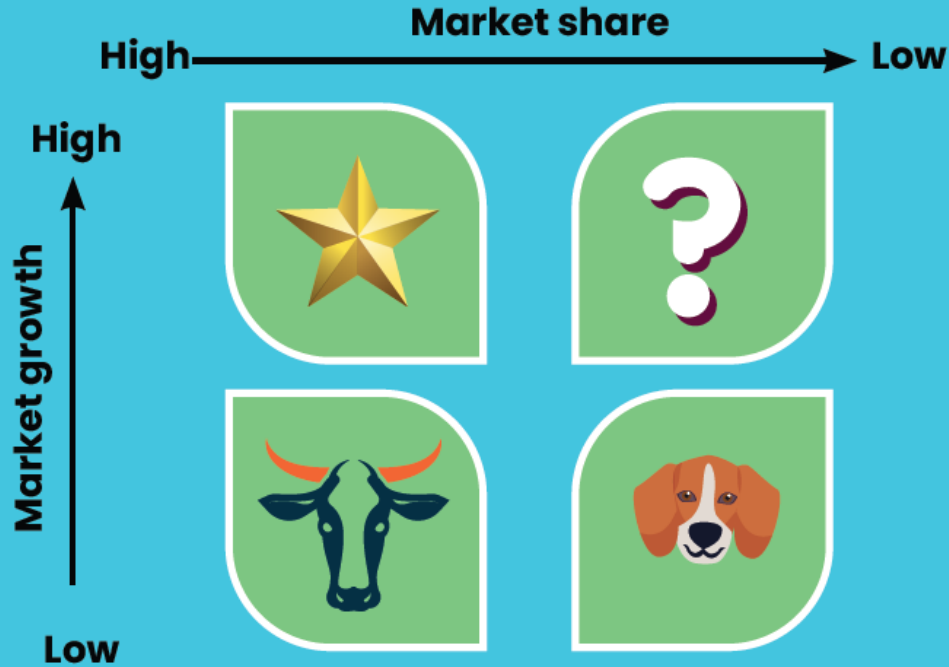
BOSTON CONSULTANCY GROUP (BCG) GROWTH-SHARE MATRIX

THE BCG GROWTH SHARE MATRIX

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

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

The BCG Growth Share Matrix



1. Stars [High growth rate & high market share]

- Stars are products or SBUs that are growing rapidly.
- They also need heavy investment to maintain their position and finance their rapid growth potential.
- They represent best opportunities for expansion.

2. Cash Cows [low growth & high market share]

- Cash Cows are low-growth, high market share businesses or products.
- They generate cash and have low costs.
- They are established, successful, and need less investment to maintain their market share.
- In long run when the growth rate slows down, stars become cash cows.

- 3. Question Marks** [high growth rate, low market share]
- Question Marks, sometimes called problem children or wildcats, are low market share business in high-growth markets.
 - They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash.
 - Question marks if left unattended are capable of becoming cash traps.
 - Since growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduces.

- 4. Dogs** [low growth rate, low market share]
- Dogs are low-growth, low-share businesses and products.
 - They may generate enough cash to maintain themselves, but do not have much future.
 - Sometimes they may need cash to survive.
 - Dogs should be minimised by means of divestment or liquidation.

BCG MATRIX – POST IDENTIFICATION STRATEGIES

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

1. **Build:** Here the objective is to increase market share, even by forgoing short- term earnings in favour of building a strong future with large market share. *Question mark, Dogs.*
2. **Hold:** Here the objective is to preserve market share. *Cash cows, Stars.*
3. **Harvest:** Here the objective is to increase short-term cash flow regardless of long-term effect. *Cash cow.*
4. **Divest:** Here the objective is to sell or liquidate the business because resources can be better used elsewhere. *Dog*

LIMITATIONS OF BCG MATRIX

- ❑ BCG matrix can be difficult, time-consuming, and costly to implement.**
- ❑ Management may find it difficult to define SBUs and measure market share and growth.**
- ❑ It also focuses on classifying current businesses but provide little advice for future planning.**
- ❑ They can lead the company to placing too much emphasis on market-share growth or growth through entry into attractive new markets. This can cause unwise expansion into hot, new, risky ventures or divesting established units too quickly**

GENERAL ELECTRIC MATRIX (STOP LIGHT STRATEGY MODEL)

GE MATRIX (STOP LIGHT STRATEGIC MODEL)

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

The market attractiveness is measured by a number of factors like:

- Size of the market.
- Market growth rate.
- Industry profitability.
- Competitive intensity.
- Availability of Technology.
- Pricing trends.
- Overall risk of returns in the industry.
- Opportunity for differentiation of products and services.
- Demand variability.
- Segmentation.
- Distribution structure (e.g. direct marketing, retail, wholesale) etc.

Business strength is measured by considering the typical drivers like:

- Market share.
- Market share growth rate.
- Profit margin.
- Distribution efficiency.
- Brand image.
- Ability to compete on price and quality.
- Customer loyalty.
- Production capacity.
- Technological capability.
- Relative cost position.
- Management calibre, etc.

Business strength

Strong

Average

Weak

Market attractiveness

High

Medium

Low

Invest/Expand

Invest/Expand

Select/Earn

Invest/Expand

Select/Earn

Harvest/Divest

Select/Earn

Harvest/Divest

Harvest/Divest

- ❑ If a product falls in the **green section**, the business is at **advantageous position**. To reap the benefits, the strategic decision can be to expand, to invest and grow.
- ❑ If a product is in the **amber or yellow zone**, it needs **caution and managerial discretion** is called for making the strategic choices.
- ❑ If a product is in the **red zone**, it will eventually lead to **losses that would make things difficult for organisations**. In such cases, the appropriate strategy should be **retrenchment, divestment or liquidation**.

This model is similar to the BCG growth-share matrix. However, there are differences.

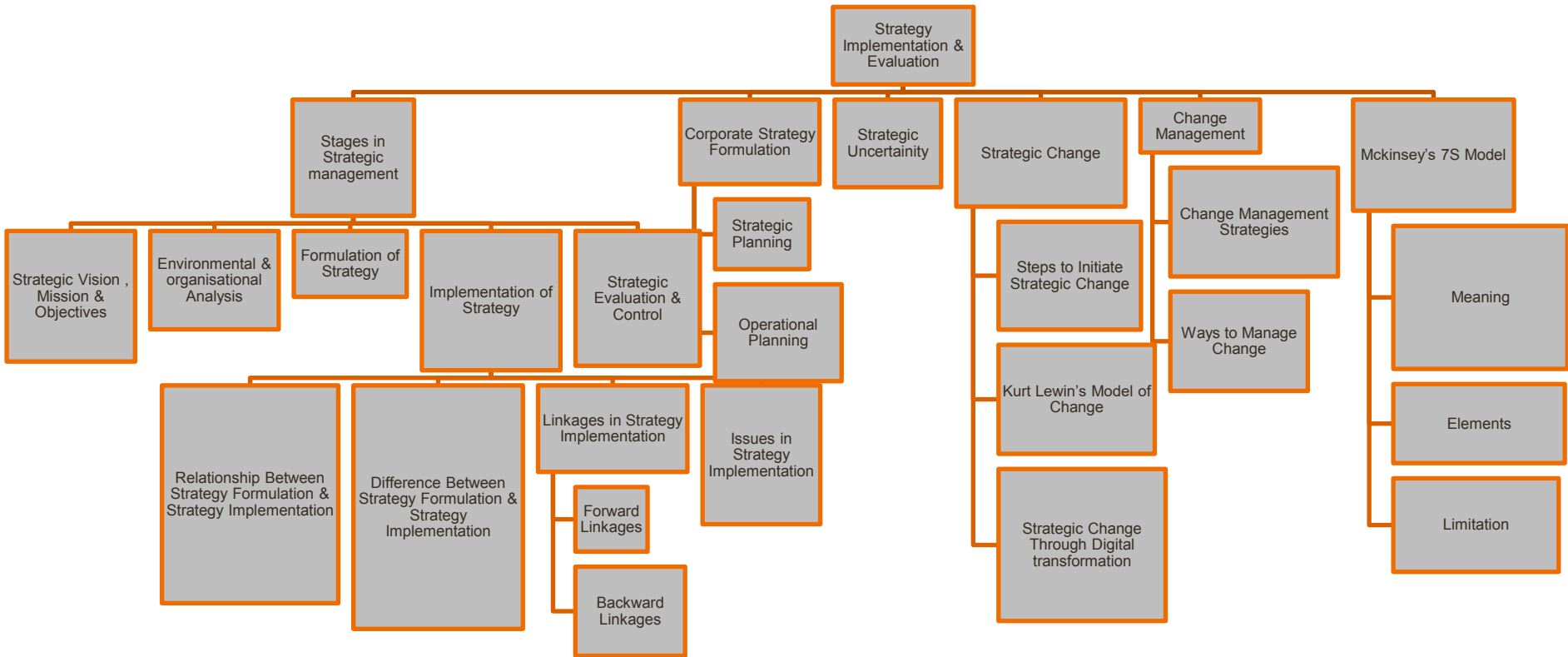
- Firstly, **market attractiveness replaces market growth** as the dimension of industry attractiveness and includes a broader range of factors other than just the market growth rate.
- Secondly, **competitive strength replaces market share** as the dimension by which the competitive position of each SBU is assessed.

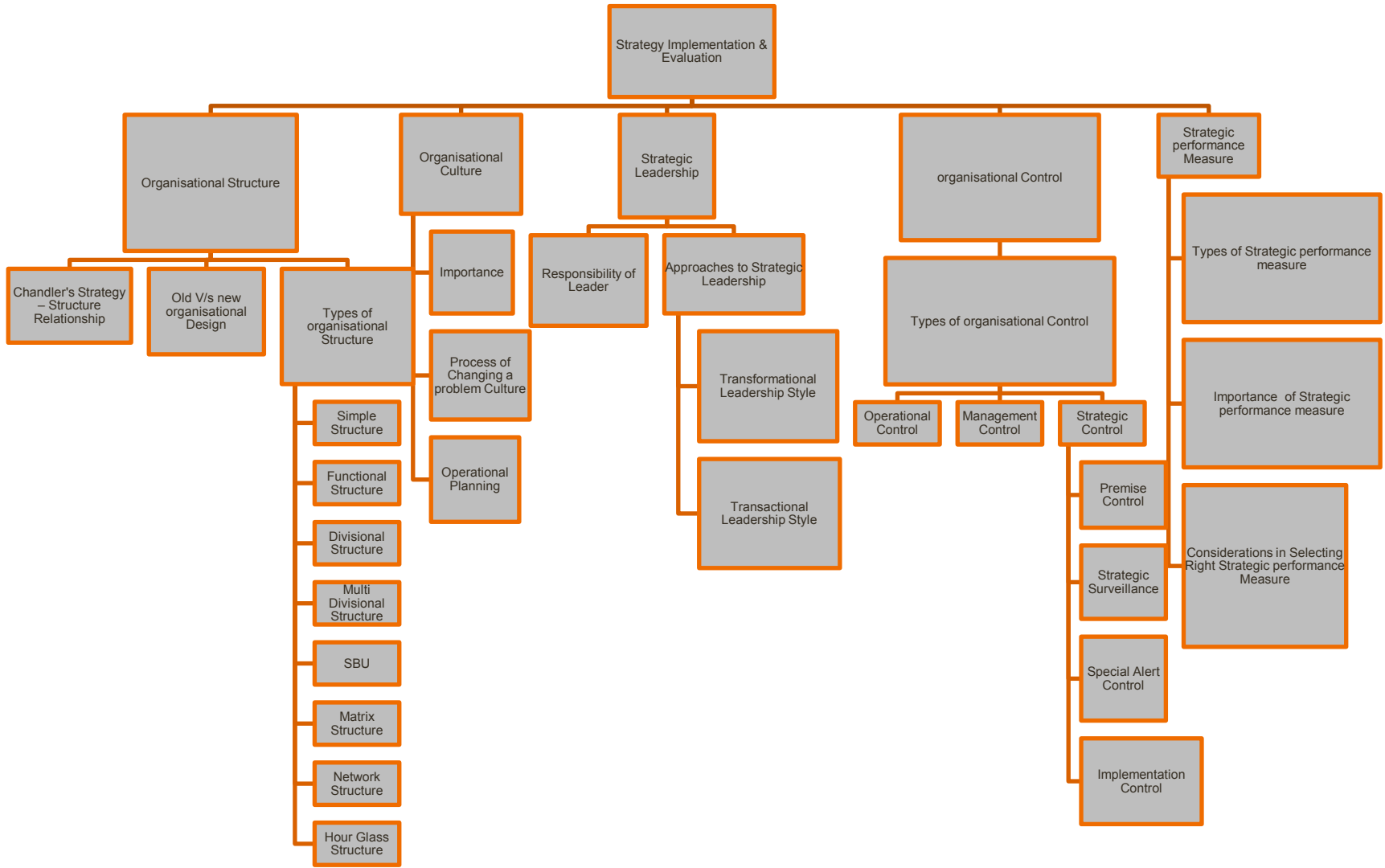


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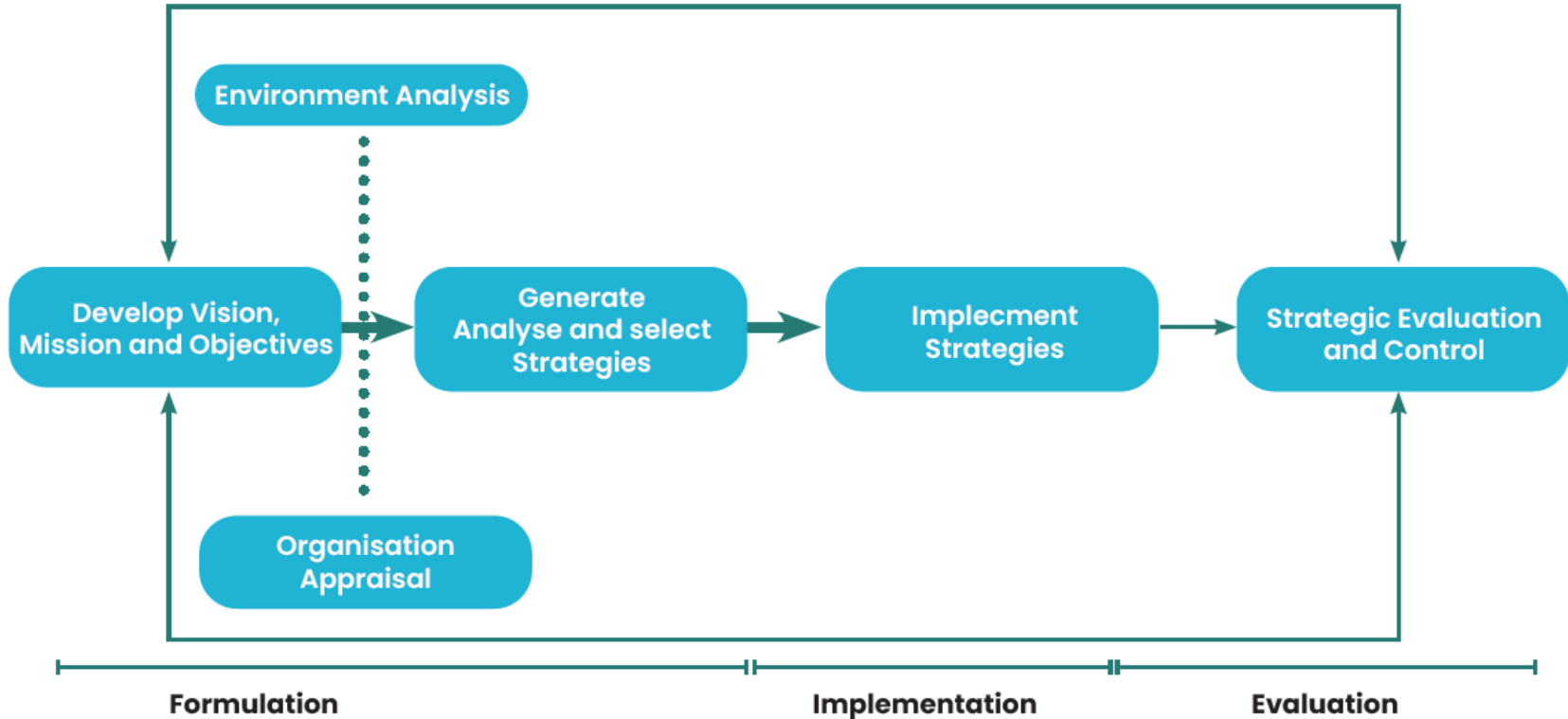
STRATEGY IMPLEMENTATION & EVALUATION

The slide features a minimalist design with a light blue background. It is framed by two horizontal teal bars at the top and bottom. A thin blue line runs just below the top teal bar, and another runs just above the bottom teal bar. Two short, thick, olive-green horizontal bars are positioned symmetrically on either side of the center, below the main title.



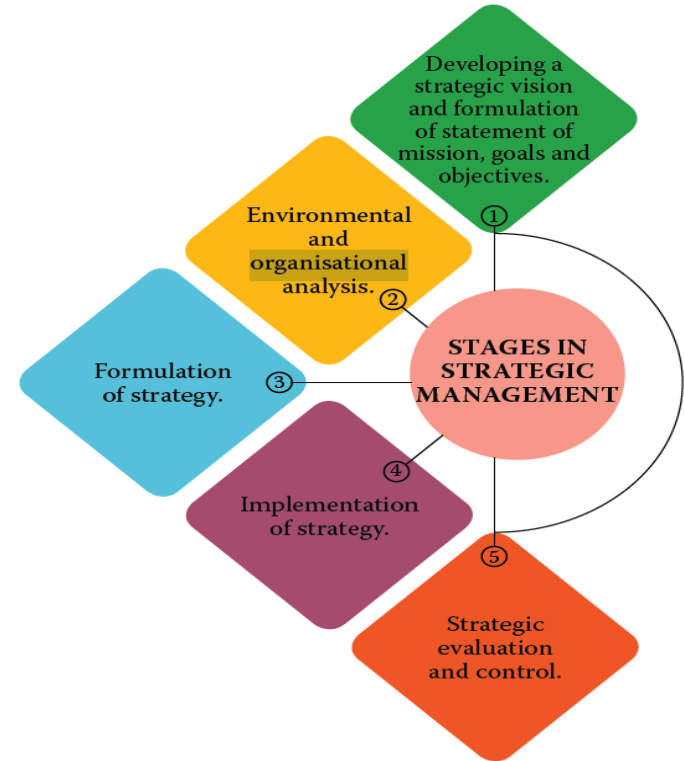


STRATEGIC MANAGEMENT PROCESS



STAGES IN STRATEGIC MANAGEMENT

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



Strategic Management

```
graph TD; SM[Strategic Management] --> F[Formulation]; SM --> I[Implementation]; F --> SP[Strategic Planning]; F --> OP[Operational Planning]; F --> SU[Strategic Uncertainty]; I --> FvI[Formulation vs Implementation]; I --> LI[Linkages & Issues]; FvI --> R[Relationship]; FvI --> D[Difference]; LI --> Forward[Forward]; LI --> Backward[Backward];
```

Formulation

Strategic Planning

Operational Planning

Strategic Uncertainty

Implementation

Formulation vs Implementation

Relationship

Difference

Linkages & Issues

Forward

Backward

Strategic Planning	Operational Planning
Strategic planning shapes the organization and its resources.	Operational planning deals with current deployment of success.
Strategic planning assesses the impact of environmental variables.	Operational planning develops tactics rather than strategy.
Strategic planning takes a holistic view of the organization.	Operational planning projects current operations into the future.
Strategic planning develops overall objectives and strategies.	Operational planning makes modification to the business functions but not fundamental changes.
Strategic planning is concerned with the long - term success of the organization.	Operational planning is concerned with the short - term success of the organization.
Strategic planning is a senior management responsibility.	Operational planning is the responsibility of functional managers.

STRATEGIC UNCERTAINTY

- ❑ Strategic uncertainty refers to the **unpredictability of future events and circumstances** that can impact an organization's **strategy and goals**.
- ❑ It can be driven by factors such as **changes in the market, technology, competition, regulation, and other external factors**.
- ❑ Dealing with strategic uncertainty can be **challenging** and organizations need to have the **flexibility, resilience, and agility** to quickly respond to changes in the environment and minimize its impact.

WAYS TO DEAL WITH STRATEGIC UNCERTAINTY



Flexibility

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



Diversification

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



Monitoring and Scenario Planning

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



Building Resilience

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



Collaboration and Partnerships

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

STRATEGY IMPLEMENTATION

- ❑ Strategy implementation concerns the **managerial exercise of putting a freshly chosen strategy into action.**
- ❑ It deals with the managerial exercise of supervising the **ongoing pursuit of strategy, making it work, improving the competence** with which it is executed and showing measurable progress in achieving the targeted results.
- ❑ Strategic implementation is concerned with translating a **strategic decision into action**, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability.

There should be Strong fit Between

— Strategy — organisational Capabilities.

Strategy — reward structure.

Strategy — Internal Operating System.

Strategy — organisational Culture.

RELATIONSHIP BETWEEN STRATEGY FORMULATION & STRATEGY IMPLEMENTATION



A = Strategy formulation is sound but implementation is weak

B = Strategy formulation is sound & implementation is excellent.

C = Strategy formulation is flawed & implementation is weak.

D = Strategy formulation is flawed but implementation is excellent.

Square

A

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

Square

B

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

Square

C

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

Square

D

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

DIFFERENCE BETWEEN STRATEGY FORMULATION & STRATEGY IMPLEMENTATION

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

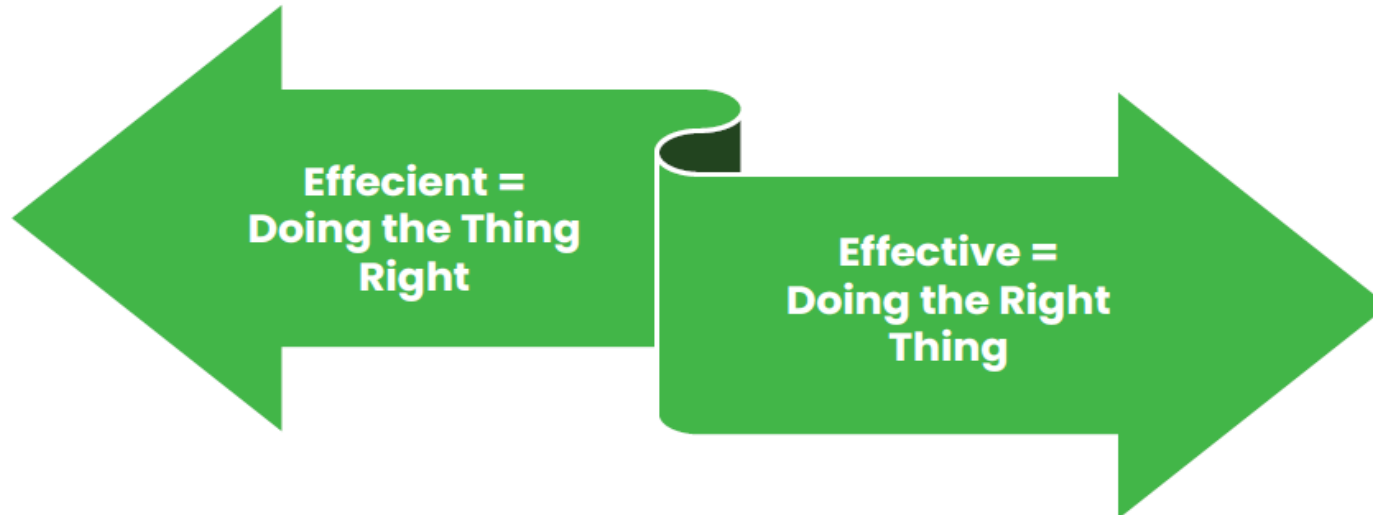
Strategic Formulation

Operational Management

	Effective	Ineffective
Efficient	1 Thrive	2 Die Slowly
Inefficient	3 Survive	4 Die Quickly

- ❑ An organization that finds itself in cell 1 is well placed and thrives, since it is achieving what it aspires to achieve with an efficient output/input ratio.
- ❑ In contrast, an organization in cell 2 or 4 is doomed, unless it can establish some strategic direction.
- ❑ The particular point to note is that cell 2 is a worse place to be than is cell 3 since, in the latter, the strategic direction is present to ensure effectiveness even if rather too much input is being used to generate outputs.

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



1. Operational management is efficient & strategy formulation is effective. = Thrive = strong

2. Operational management is efficient but strategy formulation is ineffective. = Die slowly.

3. Operational management is inefficient but strategy formulation is effective = Survive.

4. Operational management is inefficient & strategy formulation is ineffective = Die quickly.

LINKAGES IN STRATEGY IMPLEMENTATION

Forward Linkages

Forward Linkages refers to Strategy Formulation has an Influence on Strategy Implementation.

Backward Linkage

Backward Linkages refers to Strategy Formulation is influenced by Strategy Implementation.

Forward linkage $\Rightarrow$ Strategy Implementation is dependent on Strategy formulation.

Backward linkage $\Rightarrow$ Strategy formulation is dependent on Strategy Implementation.

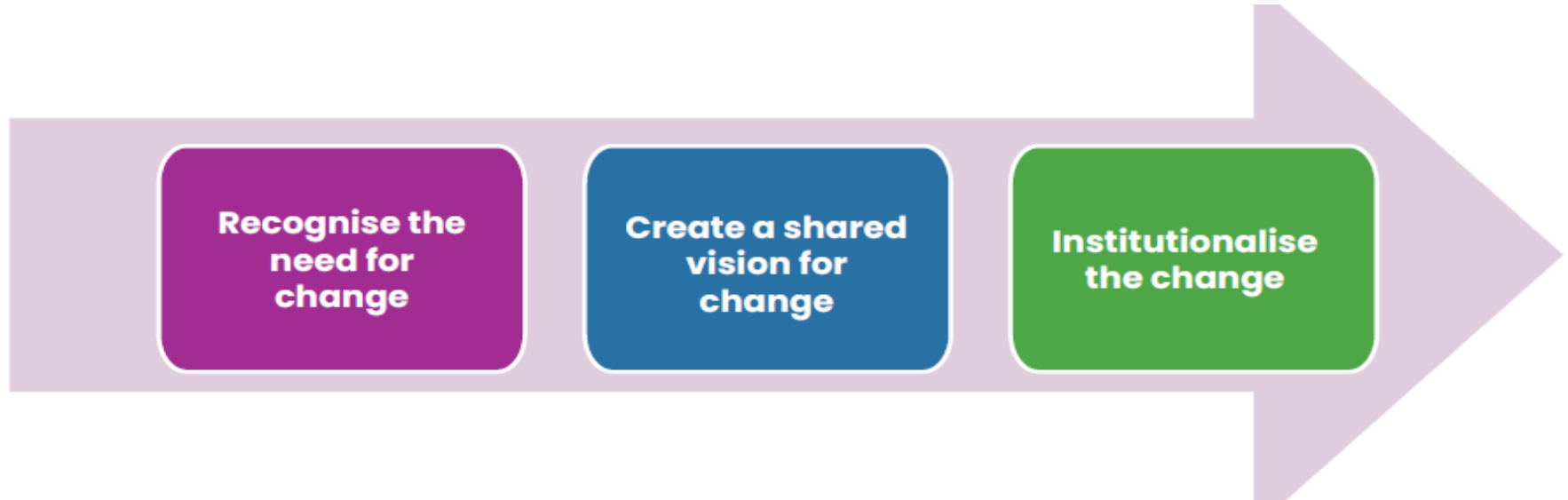
ISSUES IN STRATEGY IMPLEMENTATION

- ◆ Project implementation
[Organisation structure, Resource Allocation, Functional Policies, Divisional Policies, organisational culture] *No. of Tasks*
- ◆ Procedural implementation
[Legal framework & rules & regulations]
- ◆ Resource allocation
[Kisko Kina Resource allocate karin] [SBU, Division function]
- ◆ Structural implementation
[Hierarchy, Task Allocation & management, supervision, Centralised or Decentralised]
- ◆ Functional implementation
[Implementation at functional level]
- ◆ Behavioural implementation
[relating to Behaviour of employees towards change, Culture, Belief etc]

STRATEGIC CHANGE

The **Changes in the environmental forces** often require businesses to make modifications in their **existing strategies and bring out new strategies**.

However, Strategic Change is a complex process, and it involves a **Corporate Strategy focussed on new markets, products, services and new ways of doing business**.



STEPS TO INITIATE STRATEGIC CHANGE

1. Recognise the need for change

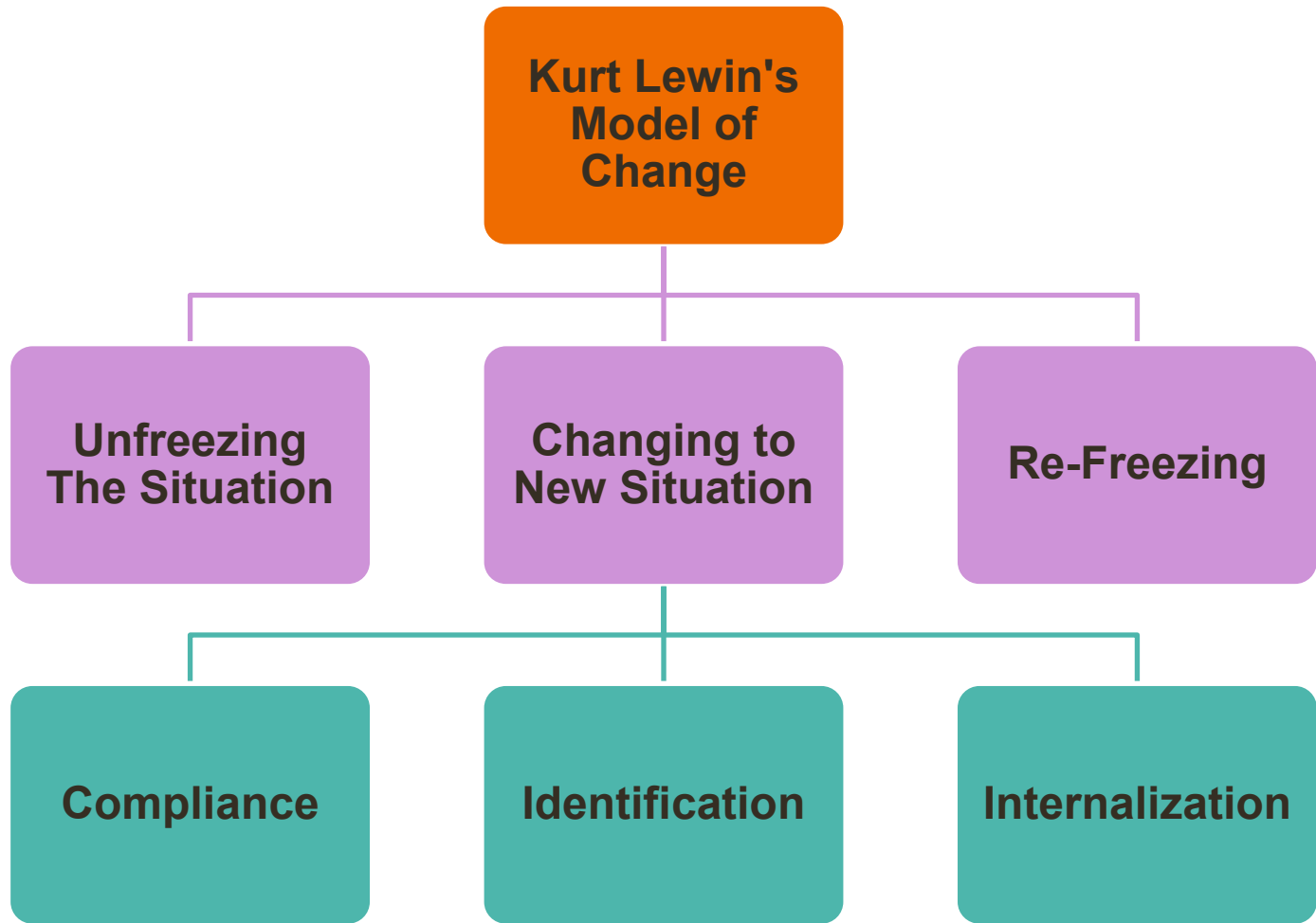
- Identify the areas where change is required, in view of changing environmental scenario.
- Evaluate both internal and external Capabilities through SWOT Analysis.
- Prepare a checklist of areas where scope for changes exists

2. Shared Vision to manage change

- Take steps to avoid conflicts between Individual and Organizational Objectives.
- Create a "Shared Vision" and communicate it to all Organizational members.
- Obtain the willing support and cooperation of Organizational Members to implement the new strategic initiatives and associated changes.

3. Institutionalise the change

- Establish a scheme of Rewards and Incentives for adhering to the changed ways/ initiatives.
- Monitor and review the after-effects of change implementation.
- Communicate deviations to the concerned persons, so that corrective actions can be taken.



STRATEGIC CHANGE THROUGH DIGITAL TRANSFORMATION

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



Role of Change Management in Digital Transformation

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

Specify parameters of digital transformation

Determine the Tools to be used

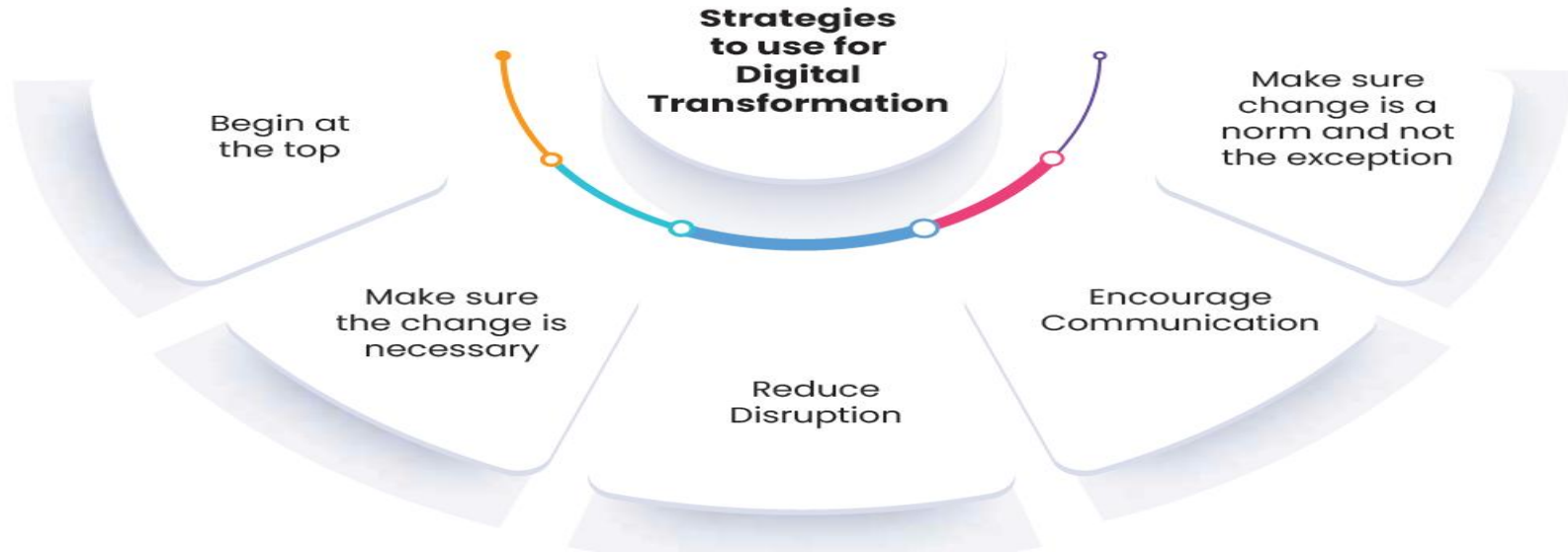
Make a plan for implementing improvements

Involve Staff Members

Track progress & make required course correction

CHANGE MANAGEMENT STRATEGIES FOR DIGITAL TRANSFORMATION

1. Begin at the top
2. Ensure that the change is both necessary and desired
3. Reduce disruption
4. Encourage communication
5. Recognize that change is the norm, not the exception



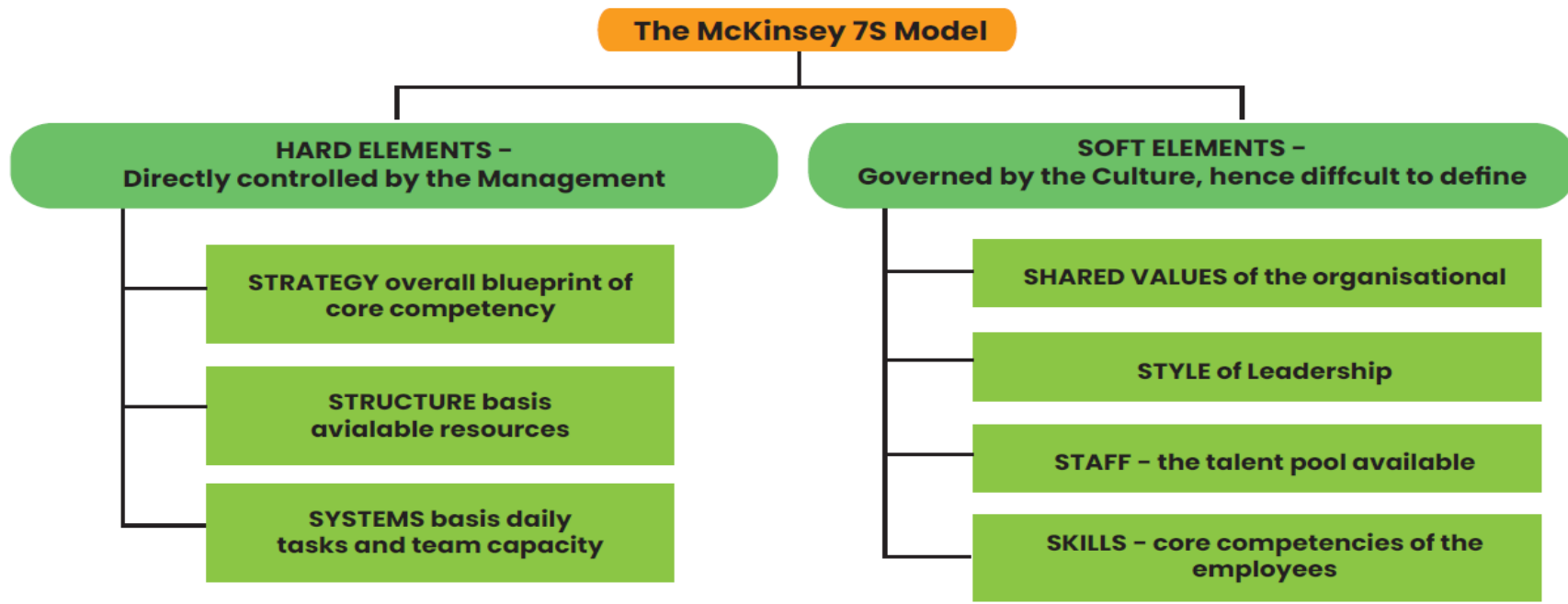
WAYS TO MANAGE CHANGE DURING DIGITAL TRANSFORMATION

1. Specify the digital transformation's aims and objectives
2. Always, always, always communicate
3. Be ready for resistance
4. Implement changes gradually
5. Offer assistance and training



The McKinsey 7S Model

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



The **Hard elements** are directly controlled by the management. The following elements are the hard elements in an organization.

- a) **Strategy:** the direction of the organization, a blueprint to build on a core competency and achieve competitive advantage to drive margins and lead the industry.
- b) **Structure:** depending on the availability of resources and the degree of centralisation or decentralization that the management desires, it chooses from the available alternatives of organizational structures.
- c) **Systems:** the development of daily tasks, operations and teams to execute the goals and objectives in the most efficient and effective manner.

The **Soft elements** are difficult to define as they are more **governed by culture**. But these soft elements are equally important in determining an organization's success as well as growth in the industry. The following are the soft elements in this model.

- a) **Shared Values:** The core values which get reflected within the organizational culture or influence the code of ethics of the management.
- b) **Style:** This depicts the leadership style and how it influences the strategic decisions of the organisation. It also revolves around people motivation and organizational delivery of goals.
- c) **Staff:** The talent pool of the organisation.
- d) **Skills:** The core competencies or the key skills of the employees play a vital role in defining the organizational success.

LIMITATIONS OF MCKINSEY'S 7S MODEL

- ◆ It ignores the **importance of the external environment** and depicts only the most crucial elements within the organization.
- ◆ The model **does not clearly explain** the concept of organizational effectiveness or performance.
- ◆ The model is considered **to be more static and less flexible** for decision making.
- ◆ It is generally **criticized for missing out the real gaps** in conceptualization and execution of strategy.

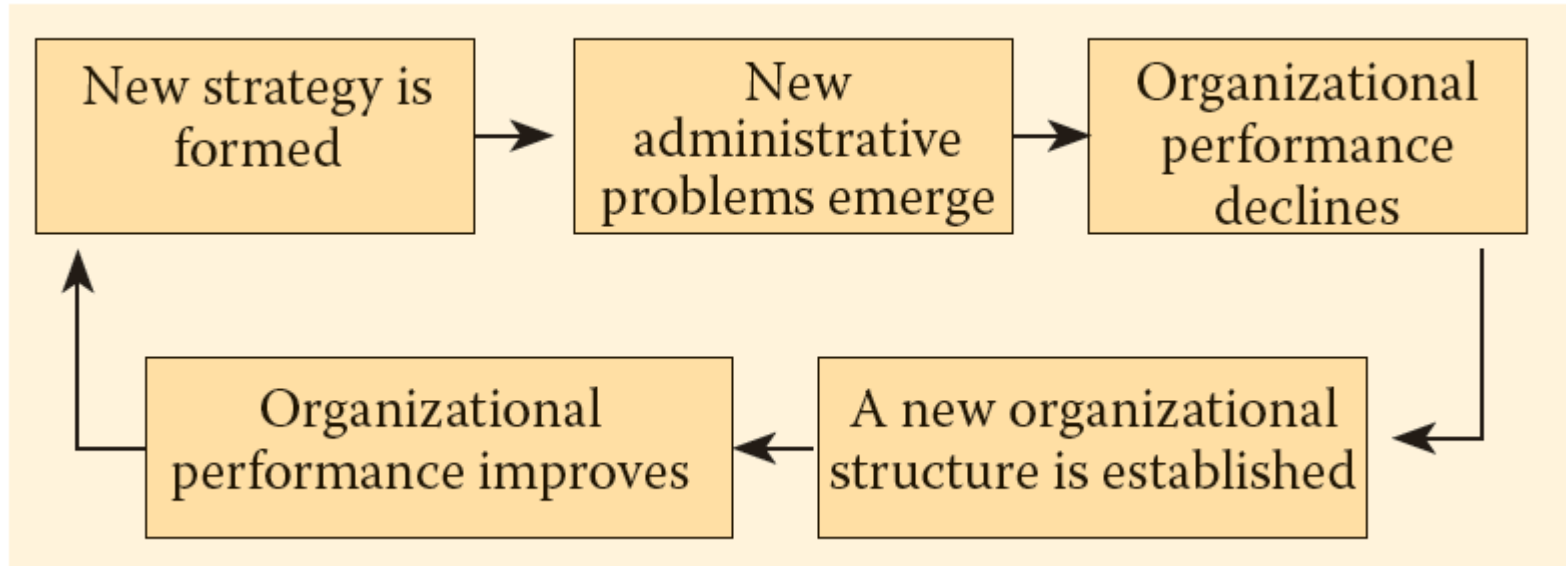
ORGANISATIONAL STRUCTURE

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

- ❑ **Changes in corporate strategy often require changes in the way an organization is structured for two major reasons.**
 - First, structure largely dictates how operational objectives and policies will be established to achieve the strategic objectives.
 - The second major reason why changes in strategy often require changes in structure is that structure dictates how resources will be allocated to achieve strategic objectives.

- ❑ The most important issue is that the company's structure must be congruent with or fit with the company's strategy.

CHANDLER'S STRATEGY –STRUCTURE RELATIONSHIP



Old Organizational Design	New Organizational Design
One large corporation	Mini-business units & cooperative relationships
Vertical communication	Horizontal communication
Centralised top-down decision making	Decentralised participative decision making
Vertical integration	Outsourcing & virtual organizations
Work/quality teams	Autonomous work teams
Functional work teams	Cross-functional work teams
Minimal training	Extensive training
Specialised job design focused on individual	Value-chain team-focused job design

TYPES OF ORGANISATIONAL STRUCTURE



Simple Structure



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

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



Functional Structure



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



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



Divisional Structure

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

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

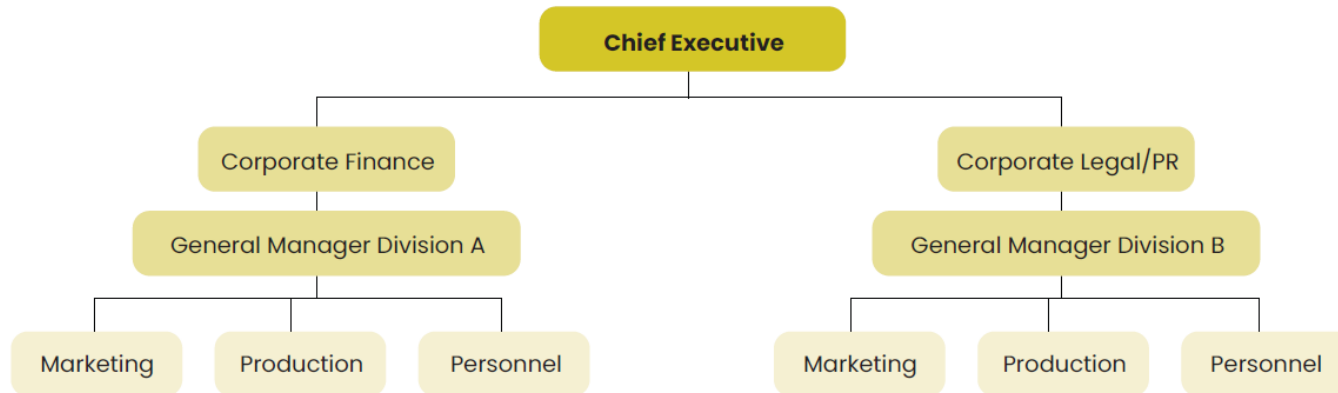
A divisional structure has some clear advantages. First and the foremost, accountability is clear. That is, divisional managers can be held responsible for sales and profit levels.

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

First, each division requires functional specialists who must be paid.

Second, there exists some duplication of tasks.

Third, managers must be well qualified thus requires higher salaries.



Multi-Divisional Structure

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

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

Multidivisional structure calls for:

Creating separate divisions, each representing a distinct business.

Each division would house its functional hierarchy;

Division managers would be given responsibility for managing day-to-day operations;

A small corporate office that would determine the long-term strategic direction of the firm and exercise overall financial control over the semi-autonomous divisions.

Strategic Business Unit (SBU)

Multidivisional structure calls for:

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

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

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

It has its own set of competitors.

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



Matrix Structure

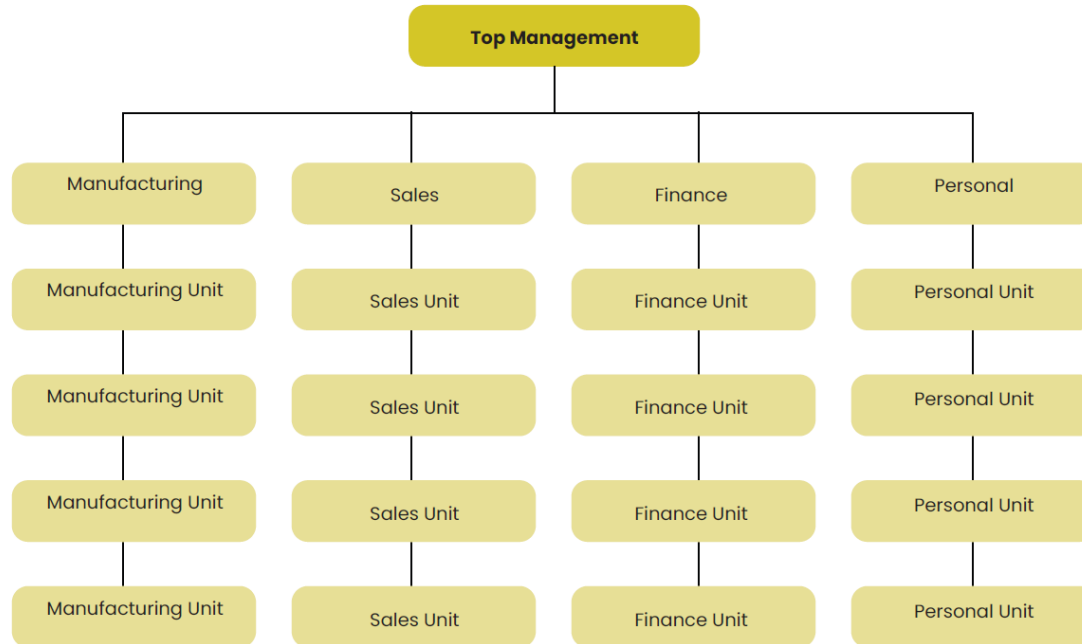
The matrix structure, in contrast, may be very appropriate when organisations conclude that neither functional nor divisional forms.

Even when combined with horizontal linking mechanisms like strategic business units, are right for the implementation of their strategies.

In matrix structure, functional and product forms are combined simultaneously at the same level of the organisation.

Employees have two superiors, a product or project manager and a functional manager.

In order for a matrix structure to be effective, organizations need planning, training, clear mutual understanding of roles and responsibilities, excellent internal communication, and mutual trust and confidence.



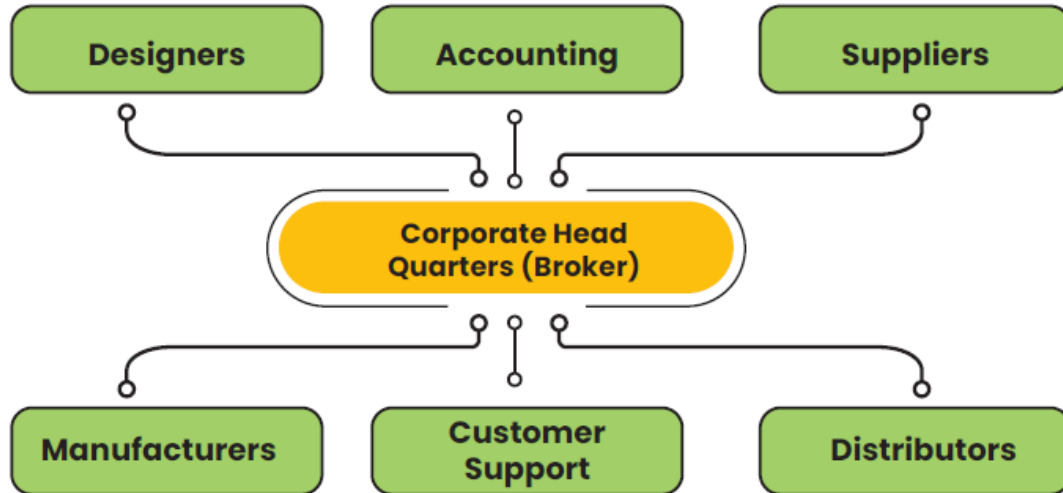
Network Structure

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

Many activities are outsourced.

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

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



Hourglass Structure

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

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

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

A shrunken middle layer coordinates diverse lowerlevel activities.

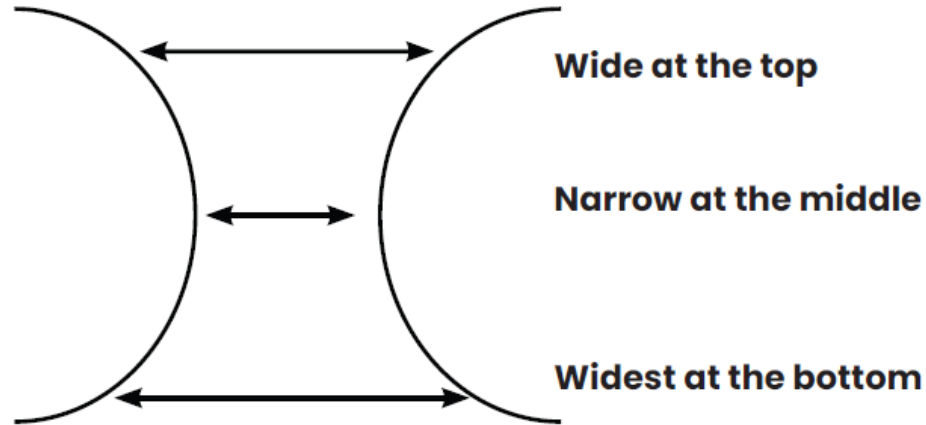


Figure: Hourglass Organisation Structure

ORGANISATIONAL CULTURE

1. Corporate Culture refers to a Company's values, beliefs, business philosophy and principles, traditions, work climate, ways of operating and approaching problems, & internal work environment.
2. The Firm's own ingrained beliefs and behaviour, thought patterns, business practices, and personality, lead to its corporate culture.
3. **Corporate Culture originates from the complex combination of sociological forces operating within the Company. It is reflected in -**
 - a) values and business principles that management preaches and practices,
 - b) ethical standards and official policies,
 - c) dealings with employees, unions, stockholders, vendors, and the communities in which the Firm operates,
 - d) traditions the organization maintains,
 - e) supervisory practices,
 - f) employees' attitudes and behaviour,
 - g) legends people repeat about happenings in the Firm,
 - h) peer pressures, organization's politics, "chemistry" and the "vibrations" that permeate the work environment.

CORPORATE CULTURE – STRENGTH OR WEAKNESS

1. Whether Culture is an **ally or obstacle** to strategy execution / implementation, **depends on the compatibility between the Company's strategy and its culture**. If there is compatibility between strategy and culture, then the culture becomes a valuable ally in Strategy Implementation.
2. When the culture **is in conflict** with the aspect of the Company's direction, performance targets or strategy, the culture becomes a **stumbling block** that impedes successful strategy implementation and execution. A sizable and prolonged strategy-culture conflict weakens and may even defeat managerial efforts to make the strategy work.
3. A Strategy-Culture Conflict requires -
 - a) Revamping strategy to produce cultural fit, and also
 - b) Revamping the mismatched cultural features to produce strategy fit.

IMPORTANCE OF CORPORATE CULTURE

1. **Motivation**
2. **Creativity**
3. **Customer Service**
4. **Influence**
5. **Operations**

PROCESS OF CHANGING A PROBLEM CULTURE

Concerted management action is required over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instill ones that are more strategy-supportive.

1. Diagnose which facets of the present culture are strategy supportive and which are not.
2. Talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.
3. Follow-up with visible, aggressive actions to modify the culture-actions that everyone will understand are intended to establish a new culture more in tune with the strategy.
4. Revising policies and procedures in ways that will help drive cultural change.
5. Alter incentive compensation to reward the desired cultural behaviour,
6. Visibly praise and recognize people who display the new cultural traits,
7. Recruit and hire new managers and employees who have the desired cultural values and can serve as role models for the desired cultural behaviour, replacing key executives who are strongly associated with the old culture,
8. Communicate to employees the basis for cultural change and its benefits to all concerned.
9. Enlist the support of First Line Supervisors and Employee Opinion Leaders, convincing them of the merits of practicing and enforcing cultural norms at the lowest levels in the organization.

STRATEGIC LEADERSHIP

- ❑ Strategic leadership sets the firms direction by developing and communicating vision of future, formulate strategies in the light of internal and external environment, brings about changes required to implement strategies and inspire the staff to contribute to strategy execution.
- ❑ **Managers have five leadership roles to play in pushing for good strategy execution:**
 1. Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.
 2. Promoting a culture of *esprit de corps* that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
 3. Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.
 4. Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.
 5. Pushing corrective actions to improve strategy execution and overall strategic performance.

RESPONSIBILITY OF STRATEGIC LEADER

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

Transactional Leadership

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

Transformational Leadership

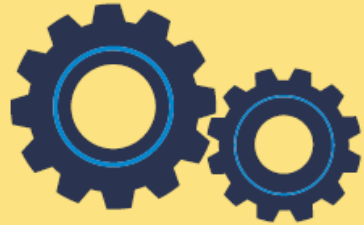
- Uses charisma and enthusiasm to inspire people to exert them for the good of the organisation.
- Transformational leadership style may be appropriate in turbulent environments.
- Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction.
- They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organisational performance.
- Such a leadership motivates followers to do more than planned.



STRATEGIC CONTROL

The controlling function involves **monitoring the activity and measuring results against pre-established standards, analysing and correcting deviations as necessary and maintaining/adapting the system.**

THE PROCESS OF CONTROL HAS THE FOLLOWING ELEMENTS



- (a) Objectives of the business system which could be operationalised into measurable and controllable standards.
- (b) A mechanism for monitoring and measuring the performance of the system.
- (c) A mechanism
 - (i) for comparing the actual results with reference to the standards
 - (ii) for detecting deviations from standards and
 - (iii) for learning new insights on standards themselves.
- (d) A mechanism for feeding back corrective and adaptive information and instructions to the system, for effecting the desired changes to set right the system to keep it on course.

TYPES OF ORGANISATIONAL CONTROL

Operational Control:

The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions.

Management Control: When compared with operational control, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organisation, instead of mere narrowly circumscribed activities of sub-units.

Strategic Control:

Strategic Control is the process of evaluating strategy as it is formulated and implemented. It is directed towards identifying problems, changes in premise and making necessary adjustments.

TYPES OF STRATEGIC CONTROL

PREMISE CONTROL

Check on assumptions of env

SPECIAL ALERT CONTROL

Being alert on big impactful changes

STRATEGIC SURVEILLANCE

Random update on things happening around

IMPLEMENTATION CONTROL

• Monitoring thrusts • Milestone Reviews

STRATEGIC PERFORMANCE MEASURES

- ❑ SPM is a method that increases Executives' **understanding of an organization's strategic goals** and **offers a continuous system for tracking progress** towards these objectives **using clear-cut performance measurements**.
- ❑ Strategic performance measures are **key indicators** that organizations **use to track the effectiveness of their strategies** and make informed decisions about **resource allocation**.
- ❑ The measures provide a snapshot of the organization's **performance**, enabling leaders to assess **whether their strategies are aligned with their goals and objectives** and to **make necessary adjustments to improve their performance**.

Strategic Performance Measure

```
graph TD; SPM[Strategic Performance Measure] --> Types[Types of SPM]; SPM --> Importance[Importance of SPM]; SPM --> Considerations[Considerations in Selecting SPM]; Types --> Financial[Financial Measure]; Types --> Customer[Customer Satisfaction Measure]; Types --> Market[Market Measure]; Types --> Employee[Employee Measure]; Types --> Innovation[Innovation measure]; Types --> Environmental[Environmental Measure]; Importance --> Goal[Goal Alignment]; Importance --> Resource[Resource Allocation]; Importance --> Continuous[Continuous Improvement]; Importance --> External[External Accountability]; Considerations --> Relevance[Relevance]; Considerations --> DataAvail[Data Availability]; Considerations --> DataQual[Data Quality]; Considerations --> DateTimeliness[Date Timeliness];
```

Types of SPM

Financial Measure

Customer Satisfaction Measure

Market Measure

Employee Measure

Innovation measure

Environmental Measure

Importance of SPM

Goal Alignment

Resource Allocation

Continuous Improvement

External Accountability

Considerations in Selecting SPM

Relevance

Data Availability

Data Quality

Date Timeliness

FINANCIAL MEASURES

Financial measures, such as revenue growth, return on investment (ROI), and profit margins, provide an understanding of the organisation's financial performance and its ability to generate profit.

CUSTOMER SATISFACTION MEASURES

Customer measures, such as customer satisfaction, customer retention, and customer loyalty, provide insight into the organisation's ability to meet customer needs and provide high-quality products and services.

MARKET MEASURES

Market measures, such as market share, customer acquisition, and customer referrals, provide information about the organisation's competitiveness in the marketplace and its ability to attract and retain customers.

EMPLOYEE MEASURES

Employee measures, such as employee satisfaction, turnover rate, and employee engagement, provide insight into the organisation's ability to attract and retain talented employees and create a positive work environment.

INNOVATION MEASURES

Innovation measures, such as research and development (R&D) spending, patent applications, and new product launches, provide insight into the organisation's ability to innovate and create new products and services that meet customer needs.

ENVIRONMENTAL MEASURES

Environmental measures, such as energy consumption, waste reduction, and carbon emissions, provide insight into the organisation's impact on the environment and its efforts to operate in a sustainable manner.

IMPORTANCE OF STRATEGIC PERFORMANCE MEASURES

- ◆ **Goal Alignment:** Strategic performance measures help organizations align their strategies with their goals and objectives, ensuring that they are on track to achieve their desired outcomes.
(whether performance is in line with goals)
- ◆ **Resource Allocation:** Strategic performance measures provide organizations with the information they need to make informed decisions about resource allocation, enabling them to prioritize their efforts and allocate resources to the areas that will have the greatest impact on their performance.
(whether resources are optimally utilized).
- ◆ **Continuous Improvement:** Strategic performance measures provide organizations with a framework for continuous improvement, enabling them to track their progress and make adjustments to improve their performance over time.
(whether there is continuous improvement or any readjustment is required according to situation)
- ◆ **External Accountability:** Strategic performance measures help organizations demonstrate accountability to stakeholders, including shareholders, customers, and regulatory bodies, by providing a clear and transparent picture of their performance.
(it helps demonstrate Accountability towards stakeholders)



thank you!

TIPS TO CRACK S171

- 1] Read questions first in Case based MCQ's quickly & then proceed for Case reading
 - It gives you idea where to focus in Case
 - Questions can be independent of Case.
- 2] Write answers in points for Descriptive & Case Study Based Questions
 - Generally asked for 5 marks.
 - Mention five points. [give numbering]

3] Please understand what is being asked in paper & then proceed for Answer.

- Questions can be tricky but answers are super easy.

4] Remember headings & key words & try to write description in own words.

- It is not necessary to copy language of module for entire answer.

5] Avoid diagrams.
- it will consume lot of time.

6] Avoid overwriting & scratches.