

Business Policy and Formulation of Functional Strategy

Lesson 3

KEY CONCEPTS

■ Vision ■ Mission ■ Corporate Level Strategy ■ Business-Level Strategy ■ Finance Strategy ■ Marketing Strategy ■ Strategic Gap

Learning Objectives

To understand:

- The Concept and Features of Business Policy
- Evolution of Business Policy
- Evolution of Business Policy in India
- Role played by Business Policy
- Development and understanding of framework of Strategic Management
- Practical understanding on concept of Vision and Mission with examples from corporate world
- Strategic levels in the Organization
 - Corporate
 - Business
 - Functional
- Formulation of Financial; Marketing; Production; Human Resource and Logistics Strategies

Lesson Outline

- Introduction to Business Policy
- Framework of Strategic Management
- Vision
- Mission
- Objectives and Goals
- Strategic Levels of the Organization
- Formulation of Functional Strategy
- Strategic Marketing Planning – An Overview
- Formulation of Human Resource Strategies
- Formulation of Production Strategy
- Formulation of Logistics Strategy
- Lesson Round-Up
- Glossary
- Test Yourself
- List of Further Readings
- Other References

BUSINESS POLICY – INTRODUCTION

Business policies are the guidelines developed by an organization to govern the actions of those who are a part of it. They define the potential limits within which decisions must be made. Business policy also deals with acquisition of resources with which organizational goals can be achieved. Business Policy defines the scope within which decisions may be taken by the subordinates in an organization. It permits the lower level management to deal with the routine problems and issues on their own without reverting back to top management for the purpose of decision making.

Business policy is the study of the roles and responsibilities of top level management, significant issues affecting organizational success and the decisions affecting organization in long-run. The top management consists of those managers who are primarily responsible for long-term decisions and carry designations such as Chief executive, President, General Manager, or executive Director. These are the persons who are not concerned with the day-to-day problems but are expected to devote their time and energy for thinking and deciding about the future course of action.

Features of Business Policy

Business Policy is the study of the functions and responsibilities of senior management, the crucial problems that affect success in the total enterprise and the decisions that determine the direction of the organisation and shape its future. The problems of policy in business, like those of policy in public affairs, have to do with the choice of purposes, the moldings of organizational identity and character, the continuous definition of what needs to be done, and the mobilization of resources for the attainment of goals in the face of competition or adverse circumstance. An effective business policy must have following features-

1. *Specific* – every policy must have a basic feature of being specific/definite. If it is uncertain, then its implementation will become difficult.
2. *Clear* – Policy must be unambiguous and as clear as possible in order to guide the subordinates effectively. It should avoid frequent use of jargons and connotations to create any chaos.
3. *Reliable and Uniform* – Policy must be uniform and reliable enough to be efficiently followed by the subordinates.
4. *Appropriate* – Policy should be appropriate to the represent the organizational goals.
5. *Simple* – A policy should be simple and easily understood by each and every person in the organization.
6. *Inclusive/Comprehensive* – In order to have a wide scope, a policy must be comprehensive.
7. *Flexible* – Policy should be flexible in application. It should be wide in scope so as to ensure that the line managers use them in repetitive/routine scenarios.
8. *Stable* – Policy should be stable so as to avoid the scope of any indecisiveness and uncertainty in minds of those who look into it for guidance.

Evolution of Business Policy

The origin of business policy can be traced back to the year 1911, when Harvard Business School introduced an integrative course in management aimed at the creation of general management capability. This course was based on some case studies which had been in use at the school for instructional purposes since 1908.

However, the real impetus for introducing business policy in the curriculum of business schools came with the publication of two reports in 1959, the Gordon and Howell report, sponsored by the Ford Foundation, recommended a capstone course of business policy "... which will give students an opportunity to pull together

what they have learned in the separate business fields and utilize this knowledge in the analysis of complex business problems, the Pierson report, sponsored by the Carnegie foundation and published simultaneously, made a similar recommendation.

In 1969, the American Assembly of Collegiate Schools of Business, a regulatory body for business schools, made the course of business policy a mandatory requirement for the purpose of recognition. During the last four decades, business policy has become an integral part of management curriculum. From the US, the practice of including business policy in the management curriculum spread to other parts of the world.

Evolution based on Managerial Practices

The development in business policy as arising from the use of planning techniques by managers. Starting from day-to-day planning in earlier times, managers tried to anticipate the future through preparation of budgets and using control systems like capital budgeting and management by objectives. With the inability of these techniques to adequately emphasize the role of future, long-range planning came to be used. Soon, long-range planning was replaced by strategic planning, and later by strategic management: a term is currently used to describe the process of strategic decision – making. Strategic management is the theoretical framework for business policy courses today. Policy-making became the prime responsibility of erstwhile entrepreneurs who later assumed the role of senior management.

The Indian Scenario

Formal management education started in India in the late fifties and gained an impetus with the setting up of the Indian Institutes of Management (IIMs) and the Administrative Staff College of India in the early sixties. In the formative years of the IIMs, the curriculum and philosophy of management education “...were borrowed substantially from the American business schools”. The IIM, Ahmedabad based its teaching methodology on the Harvard model of developing and using case studies as the major tool. With the setting up of three more IIMs at Bangalore, Calcutta and Lucknow and the creation of university departments, management education has experienced an unparalleled growth in the last three decades. Different nomenclature used for the course title includes, besides business policy; corporate planning, corporate strategy and planning, management policy and, lately, strategic planning or strategic management.

Importance of Business Policy

Business policy is important as a course in management curriculum and as a component of executive development programmes for middle-level managers preparing to move up to the senior management level. A study of business policy fulfils the needs of management students as well as those of middle-level managers.

To highlight the importance of business policy, we consider four areas where this course proves to be beneficial.

- **From the viewpoint of the Course itself**

Business policy seeks to integrate knowledge and experience gained in various functional areas of management. It enables the learner to understand and make sense of the complex interaction that takes place between different functional area.

Business policy deals with the constraints and complexities of the real-life business. In contrast, the functional area courses are based on a structured, specialized and well-developed body of knowledge resulting from the simplification of the complexity of the overall tasks and responsibilities of management.

For the development of a theoretical structure of its own, business policy cuts across the narrow functional boundaries and draws upon a variety of sources; other courses in management curriculum and from a wide variety of disciplines like economics, sociology, psychology, demography, political science, etc. In doing so, business policy offers a very broad perspective to its learners.

Business policy makes the study and practice of management more meaningful as one can view business decision-making in its proper perspective. For instance, in the context of business policy, a short-term gain for a department or a sub-unit is willingly sacrificed in the interest of the long-term benefit that may accrue to the organisation as a whole.

- **For the understanding of Business Environment**

Regardless of the level of management where a person is, business policy creates an understanding of how policies are formulated. This helps in creating an appreciation of the complexities of the environment that the senior management faces in policy formulation.

By gaining an understanding of the business environment, managers become more receptive to the ideas and suggestions of the senior management. Such an attitude on the part of managers makes the task of policy implementation simpler.

By being able to relate the environmental changes to policy changes within the organisation, managers feel themselves to be a part of a greater design. This helps in reducing their feelings of isolation.

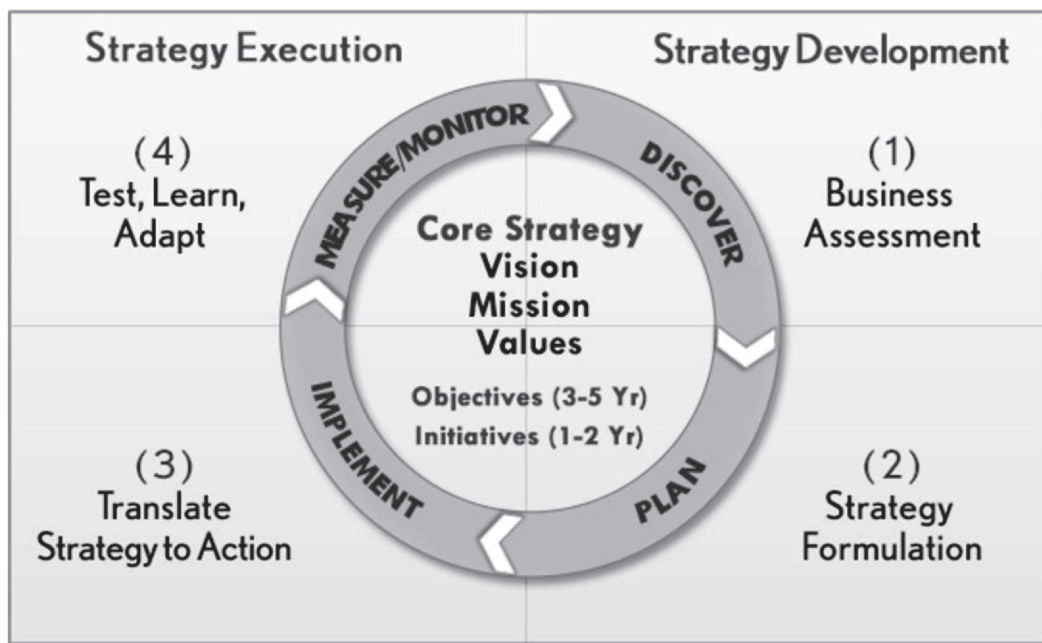
- **For understanding the Organisation**

Business policy presents a basic framework for understanding strategic decision-making while a person is at the middle level of management. Such a framework, combined with the experience gained in working in a specialized functional area, enable a person to make preparations for handling general management responsibilities. this benefits the organisation in a variety of ways.

Business policy, like most other areas of management, brings to the organisation and also to its managers, the benefit of years of distilled experience in strategic decision-making. Case study, which is the most common pedagogical tool in business policy, provides illustrations of real-life business strategy formulation and implementation.

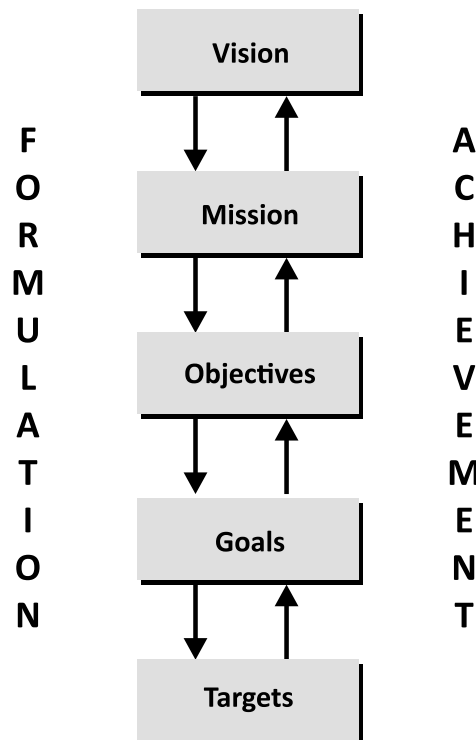
FRAMEWORK OF STRATEGIC MANAGEMENT

The Strategic Management Framework



The terms vision/mission, objectives, goals and targets are used interchangeably many a time. However, in corporate world, they are often used distinctively. However, it depends upon organization to organization, how they interpret. For example, while some organisations may opine that mission refers to the current situation, many others consider them in a future (often long term) perspective. Some companies state the mission after the vision statement as a logical evolution from the vision whereas for some companies there is only a mission statement that would reflect the vision. One who goes through the statements of vision, mission, purpose, motto, objectives, values etc. of different organisations would be amazed by the wide differences in the perception about the meaning of each of these terms. A review of 622 mission statements by Graham and Havlik has revealed that all mission statements varied in length as well as tone. No two mission statements had the exact same formula, or pattern.

There is a logical linkage and evolution between these different concepts such as Vision leads to mission (which fosters the vision) and mission leads to objectives (which are designed to achieve the mission), objectives lead to goals (which are designed to achieve the objectives) and goals lead to targets (which are set to achieve the goals).



VISION

Vision serves the purpose of stating what an organization wishes to achieve in the long run. It articulates the position that the organisation would like to occupy in future. The vision is about looking forward and about formalizing where you, and the business, are going. It is a future aspiration that leads to an inspiration of being the best in one's business sphere. It creates a common identity and a shared sense of purpose.

A vision statement is a company's road map, indicating both what the company wants to become and guiding transformational initiatives by setting a defined direction for the company's growth. Vision statements undergo minimal revisions during the life of a business, unlike operational goals which may be updated from year-to-year.

A consensus does not exist on the characteristics of a "good" or "bad" vision statement.

According to Oren Harari, 'Vision should describe a set of ideals and priorities, a picture of the future, a sense of what makes the company special and unique, a core set of principles that the company stands for, and a road set of compelling criteria that will help define organizational success.'

Features

- *Concise* : able to be easily remembered and repeated
- *Clear* : defines a prime goal
- *Time horizon* : defines a time horizon
- *Future-oriented* : describes where the company is going rather than the current state
- *Stable* : offers a long-term perspective and is unlikely to be impacted by market or technology changes
- *Challenging* : not something that can be easily met and discarded
- *Abstract* : general enough to encompass all of the organization's interests and strategic direction
- *Inspiring* : motivates employees and is something that employees view as desirable.

Purpose

Vision statement may fill the following functions for a company:

- Serve as foundation for a broader strategic plan.
- Motivate existing employees and attract potential employees by clearly categorizing the company's goals and attracting like-minded individuals.
- Focus company efforts and facilitate the creation of core competencies by directing the company to only focus on strategic opportunities that advance the company's vision.
- Help companies differentiate from competitors. For example, profit is a common business goal, and vision statements typically describe how a company will become profitable rather than list profit directly as the long-term vision.

MISSION

"A mission statement is an enduring statement of purpose that distinguishes one business from other similar firms. A mission statement identifies the scope of a firm's operations in product and market terms."

According to McGinnis, a mission statement:

- should define what the organisation is and what the organisation aspires to be;
- should be limited enough to exclude some ventures and broad enough to allow for creative growth;
- should distinguish a given organisation from all others;
- should serve as a framework for evaluating both current and prospective activities; and
- should be stated in terms sufficiently clear to be widely understood throughout the organisation.

A mission statement has certain desirable components. An ideal mission statement of business should define its customers, products or services, markets, technology, philosophy and self-concept. However, an examination of the mission statement of different organisations shows that the mission statements of several of them are not so comprehensive.

Elements of Mission Statement

- Clearly Articulated
- Relevant
- Written in a positive tone
- Unique
- Enduring
- Adapted to the Target Audience.

The mission statement should define its customers, products or services, markets, technology, philosophy and self-concept. The following questions to be considered while preparing for a mission statement.

1. What is the basic purpose of your organisation?
2. What is unique about your organisation?
3. What is likely to be different about your business five years down the line?
4. Who are, and who should be, your core customers?
5. What are, and what should be, your principal economic concerns?
6. What are the basic beliefs, values and philosophical priorities of your firm?

Comparison Chart

It is rightly said, “**A man without eyes is blind, but a man without a vision is dead**”.

Comparison

<i>Mission Statement versus Vision Statement</i>		
	<i>Mission Statement</i>	<i>Vision Statement</i>
About	A Mission statement talks about HOW you will get to where you want to be. Defines the purpose and primary objectives related to your customer needs and team values.	A Vision statement outlines WHERE you want to be. Communicates both the purpose and values of your business.
Answer	It answers the question, “What do we do? What makes us different?”	It answers the question, “Where do we aim to be?”
Time	A mission statement talks about the present leading to its future.	A vision statement talks about your future.
Function	It lists the broad goals for which the organization is formed. Its prime function is internal; to define the key measure or measures of the organization’s success and its prime audience is the leadership, team and stockholders.	It lists where you see yourself some years from now. It inspires you to give your best. It shapes your understanding of why you are working here.

Developing a statement	What do we do today? for whom do we do it? What is the benefit? In other words, Why we? do what we do? Questions on What, for Whom and Why?	Where do we want to be going forward? When do we want to reach that stage? How do we want to do it?
Features of an effective statement	Purpose and values of the organization: Who are the organization's primary "clients" (stakeholders)? What are the responsibilities of the organization towards the clients?	Clarity and lack of ambiguity: Describing a bright future (hope); Memorable and engaging expression; realistic aspirations, achievable; alignment with organizational values and culture.

Vision and Mission Statements of various Companies/Organisations



Company: State Bank of India

Vision: Be the bank of choice for a transforming India.

Mission: Committed to providing simple, responsive and innovative financial solutions.



Company: Tesla

Mission: To accelerate the world's transition to sustainable energy.

Vision: To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.



Company: Amazon

Mission: We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience.



Company: LinkedIn

Mission: To Connect the world's professionals to make them more productive and successful.

Vision: To Create economic opportunity for every member of the global workforce.



Company: Google

Mission: To organize the world's information and make it universally accessible and useful.

Vision: To provide access to the world's information in one click.



Company: Intel

Mission: To utilize the power of Moore's Law to bring smart, connected devices to every person on earth.

Vision: If it's smart and connected, it's best with Intel.



Company: Toyota USA

Mission: To attract and attain customers with high-valued products and services and the most satisfying ownership experience in America.

Vision: To be the most successful and respected car company in America.

SONY

Company: Sony

Mission: A company that inspires and fulfills your curiosity.

Vision: Using our unlimited passion for technology, content and services to deliver groundbreaking new excitement and entertainment, as only Sony can.

OBJECTIVES AND GOALS

To accomplish the mission of the organization, a number of objectives are formulated. Achievement of the organisational objectives, in turn, requires the formulation and fulfillment of departmental and unit goals.

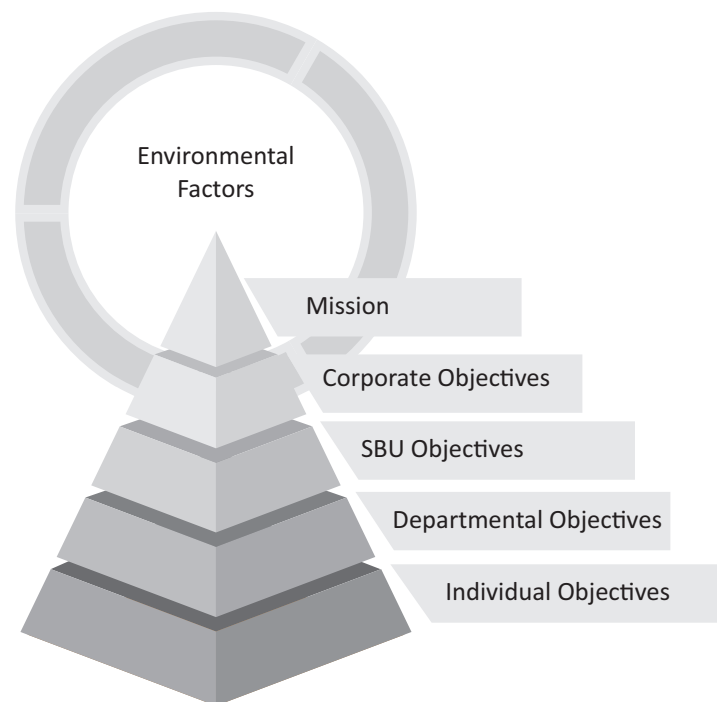
Used broadly, the word objectives cover “long-range company aims, more specific department goals, and even individual assignments. Thus, objectives may pertain to a wide or narrow part of an enterprise, and they may be either long or short range.” Objectives should not be static, they should be dynamic. That is, changes in the environment and/or changes in the organisational strengths and weaknesses may call for modifications to objectives.

A goal is defined as “an intermediate result to be achieved by a certain time as part of the grand plan. A plan can, therefore, have many goals.” Specific goals are sometimes referred to as targets.

Importance of Objectives

- Justify the organization
- Provide direction
- Basis for Management by Objectives
- Help Strategic Planning/Management
- Provide standards for assessment and control
- Help Decentralization.

Objectives vs. Goals: The terms objectives and goals are differentiated by some managers based on generality and specificity of what an organisation seeks to achieve. For example, objective of an organisation is to improve its profitability whereas one of the goals of the organisation is to increase the net sales by 20% during FY 2023-24 over FY2022-2023. Thus, objectives are based on mission statement and open-ended statements whereas goals are closed ended statements.



Hierarchy of the Objectives

Process of Formulating Mission and Objectives

Environmental Analysis: A cross-functional analysis of data and information and its results provide a basis for the establishment of organisational direction in terms of mission and objectives. Environmental analysis should provide managers with adequate information and data for reflection. The data and information from all the levels of environment — general, specific, operating and internal — should be collected.

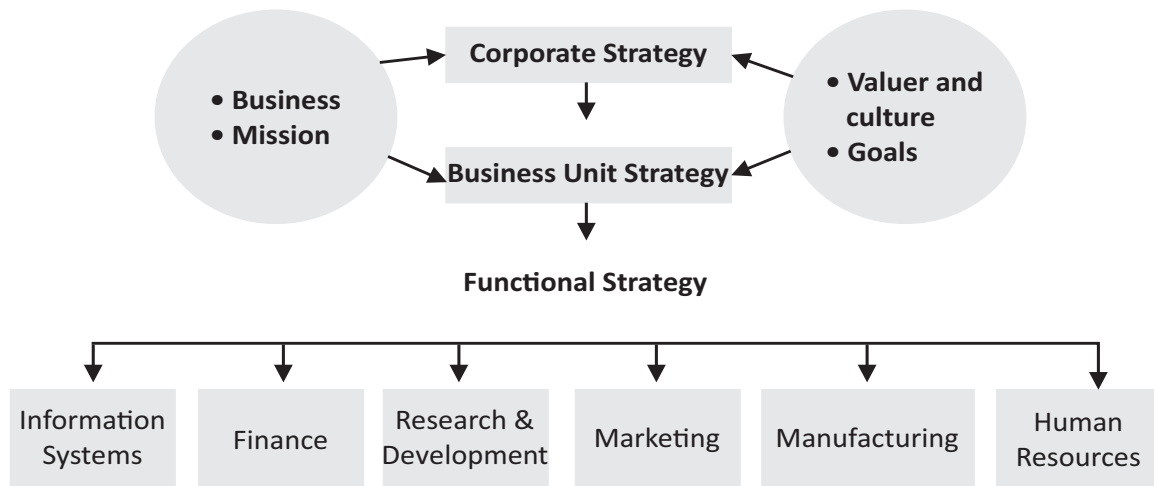
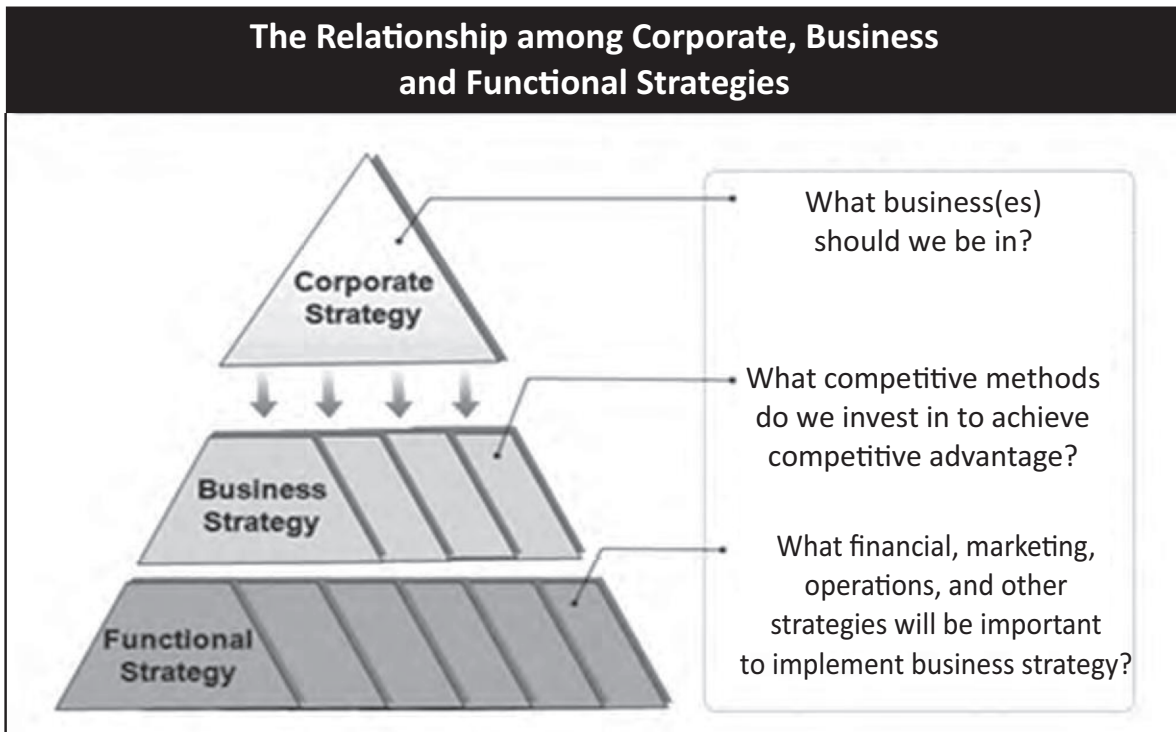
Vision and Mission: Environmental analysis serves as a foundation for the development and formulation of vision and mission. Managers should understand the information and data derived from the environment, its analysis and better equip themselves to have a visionary reflections. This reflection helps them to formulate and write the organisational vision and mission.

Organisational Objectives: Organisational vision and mission serve as the basis for development of appropriate organisational objectives. Managers view that objectives should be consistent with the organisational vision and mission.

Specific targets: After the objectives are formulated by the top management of the organisation, they should be translated into specific targets by the middle and lower level management. These specific targets help for the effective achievement of objectives at different levels.

STRATEGIC LEVELS OF THE ORGANIZATION





Corporate Level Strategy

Corporate Strategy is the essence of strategic planning process. It determines the growth objective of the company, i.e. direction, timing, extent and pace of the firm’s growth. It highlights the pattern of business moves and goals concerning strategic interest, in different business units, product lines, customer groups, etc. It defines how the firm will remain sustainable in the long run.

Corporate level strategy occupies the highest level of strategic decision making and covers actions dealing with the objective of the firm, acquisition and allocation of resources and coordination of strategies of various SBUs for optimal performance.

Corporate Strategy can be explained as the management plan formulated by the highest level of organization echelon, to direct and operate the entire business organization. It alludes to the master plan that leads the firm towards the success. So, the more the aptness in the degree of the corporate level strategy, the higher will be the chances of firm's success in the market.

Definitions

According to Andrews: "the corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals and defines the range of business the company pursues, the kind of economic and noneconomic contribution it intends to make for its shareholders, employees, customers and communities." (Andrews, 1997, p.245)

Johnson et al (2009), been describing corporate strategy, highlighted the choices of markets and products as a first step, and how a company is planning to operate on those markets or with particular products. They have also discussed the corporate strategy from overall scope of an organization and how value should be added to the different parts (business units) of an organization.

Business-Level Strategy

Business level strategy is applicable in those organizations, which have different businesses-and each business is treated as Strategic Business Unit (SBU). the fundamental concept in SBU is to identify the discrete independent product / market segments served by an organization.

Since each product/market segment has a distinct environment, a SBU is created for each such segment. for example, reliance Industries Limited operates in textile fabrics, yarns, fibers, and a variety of petrochemical products. For each product group, the nature of market in terms of customers, competition, and marketing channel differs.

Therefore, it requires different strategies for its different product groups. thus, where SBU concept is applied, each SBU sets its own strategies to make the best use of its resources (its strategic advantages) given the environment it faces. At such a level, strategy is a comprehensive plan providing objectives for SBUs, allocation of resources among functional areas and coordination between them for making optimal contribution to the achievement of corporate- level objectives.

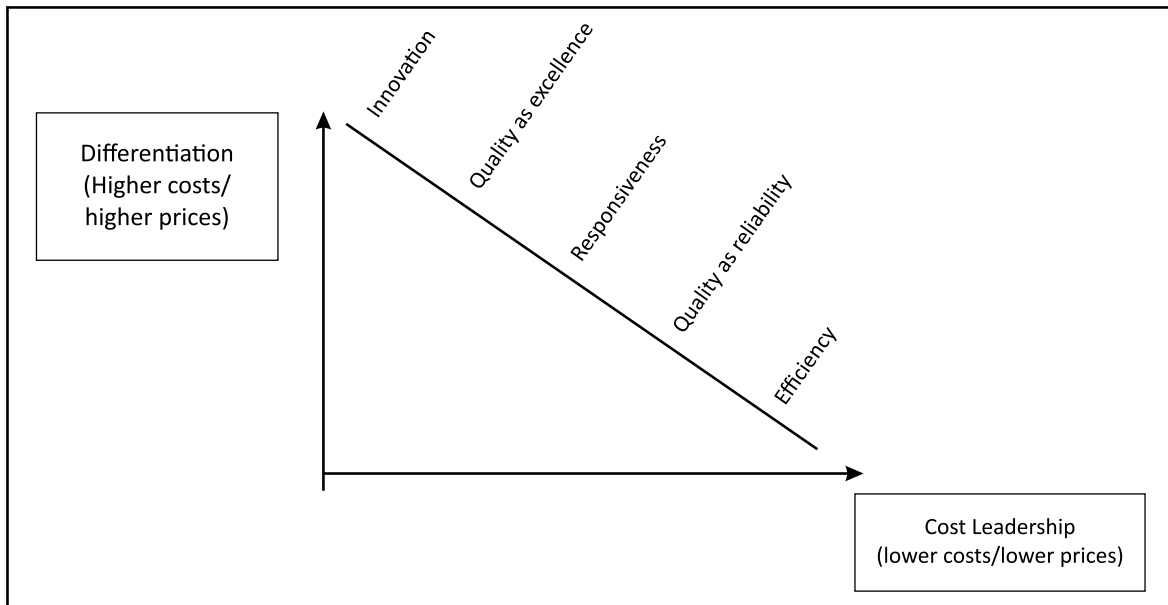
Such strategies operate within the overall strategies of the organization. The corporate strategy sets the long- term objectives of the firm and the broad constraints and policies within which a SBU operates. The corporate level will help the SBU define its scope of operations and also limit or enhance the SBUs operations by the resources the corporate level assigns to it. There is a difference between corporate-level and business-level strategies.

For example, Andrews says that in an organization of any size or diversity, corporate strategy usually applies to the whole enterprise, while business strategy, less comprehensive, defines the choice of product or service and market of individual business within the firm. In other words, business strategy relates to the 'how' and corporate strategy relates to the 'what'. Corporate strategy defines the business in which a company will compete preferably in a way that focuses resources to convert distinctive competence into competitive advantage.'

Corporate strategy is not the sum total of business strategies of the corporation but it deals with different subject matter. While the corporation is concerned with and has impact on business strategy, the former is concerned with the shape and balancing of growth and renewal rather than in market execution.

Michael Porter (1998) has identified business-level strategies which are cost leadership, differentiation, and focus to achieve a sustainable competitive advantage. The strategy of cost leadership was common in 1970s. This strategy requires construction of efficient-scale facilities, cost reductions, control over expenses, and cost minimization etc. The low-cost strategy gives several advantages before rivals. It may be explained by the possibility to be more efficient than competitors. (Porter, 1998)

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



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

Brown and Blackmon (2005) have defined business-unit strategy as a process of decision making at the strategic business unit (SBU) level. According to them, primarily it identifies how SBU supports organizational goals. Furthermore, business-unit strategy refers to aggregated strategies of single firms or SBU within one diversified corporation (Brown, Blackmon, 2005). While corporate strategy deals with the question in what businesses the company should compete in, business unit level strategy decides on how to compete in these particular businesses. (Beard, Dess, 1981)

Note: More about Business Level Strategy is available in lesson 6 of this study.

Functional-Level Strategy

Functional strategy, as is suggested by the title, relates to a single functional operation and the activities involved therein. Decisions at this level within the organization are often described as tactical. Such decisions are guided and constrained by some overall strategic considerations.

Functional strategy deals with relatively restricted plan providing objectives for specific function, allocation of resources among different operations within that functional area and coordination between them for optimal contribution to the achievement of the SBU and corporate-level objectives.

Below the functional-level strategy, there may be operations level strategies as each function may be divided into several sub functions. For example, marketing strategy, a functional strategy, can be subdivided into promotion, sales, distribution, pricing strategies with each sub function strategy contributing to functional strategy.

Comparison Chart

<i>Basis for Comparison</i>	<i>Business Strategy</i>	<i>Corporate Strategy</i>
Meaning	Business Strategy is the strategy framed by the business managers to strengthen the overall performance of the enterprise.	Corporate Strategy is stated in the mission statement, which explains the business type and ultimate goal of the firm.

<i>Basis for Comparison</i>	<i>Business Strategy</i>	<i>Corporate Strategy</i>
Created by	Middle level management	Top level management
Nature	Executive and Governing	Decisive and Legislative
Relates to	Selection of plan to fulfill the objectives company of organization	Business selection in which the Company should compete
Deals with	Particular business unit or division	Entire business organization
Term	Short term strategy	Long term strategy
Focus growth	Competing successfully in the marketplace	Maximizing profitability and business growth
Approach	Introverted	Extroverted
Major strategies Differentiation.	Cost Leadership, Focus and Differentiation.	Expansion, Stability and Retrenchment.

FORMULATION OF FUNCTIONAL STRATEGY

Finance Strategy

Financial metrics have long been the standard for assessing a firm's performance. financial goals and metrics are established based on benchmarking the "best-in-industry" and include:

1. Free Cash Flow

This is a measure of the firm's financial soundness and shows how efficiently its financial resources are being utilized to generate additional cash for future investments. It represents the net cash available after deducting the investments and working capital increases from the firm's operating cash flow. Companies should utilize this metric when they anticipate substantial capital expenditures in the near future or follow-through for implemented projects.

2. Economic Value-Added

This is the bottom-line contribution on a risk-adjusted basis and helps management to make effective, timely decisions to expand businesses that increase the firm's economic value and to implement corrective actions in those that are destroying its value. It is determined by deducting the operating capital cost from the net income. Companies set economic value-added goals to effectively assess their businesses' value contributions and improve the resource allocation process.

3. Asset Management

This calls for the efficient management of current assets (cash, receivables, inventory) and current liabilities (payables, accruals) turnovers and the enhanced management of its working capital and cash conversion cycle. Companies must utilize this practice when their operating performance falls behind industry benchmarks or benchmarked companies.

4. Financing Decisions and Capital Structure

Here, financing is limited to the optimal capital structure (debt ratio or leverage), which is the level that minimizes the firm's cost of capital. This optimal capital structure determines the firm's reserve borrowing capacity (short- and long-term) and the risk of potential financial distress. Companies establish this structure when their cost of capital rises above that of direct competitors and there is a lack of new investments.

5. Profitability Ratios

This is a measure of the operational efficiency of a firm. Profitability ratios also indicate inefficient areas that require corrective actions by management; they measure profit relationships with sales, total assets, and net worth. Companies must set profitability ratio goals when they need to operate more effectively and pursue improvements in their value-chain activities.

6. Growth Indices

Growth indices evaluate sales and market share growth and determine the acceptable trade-off of growth with respect to reductions in cash flows, profit margins, and returns on investment. Growth usually drains cash and reserve borrowing funds, and sometimes, aggressive asset management is required to ensure sufficient cash and limited borrowing. Companies must set growth index goals when growth rates have lagged behind the industry norms or when they have high operating leverage.

7. Risk Assessment and Management

A firm must address its key uncertainties by identifying, measuring, and controlling its existing risks in corporate governance and regulatory compliance, the likelihood of their occurrence, and their economic impact. Then, a process must be implemented to mitigate the causes and effects of those risks. Companies must make these assessments when they anticipate greater uncertainty in their business or when there is a need to enhance their risk culture.

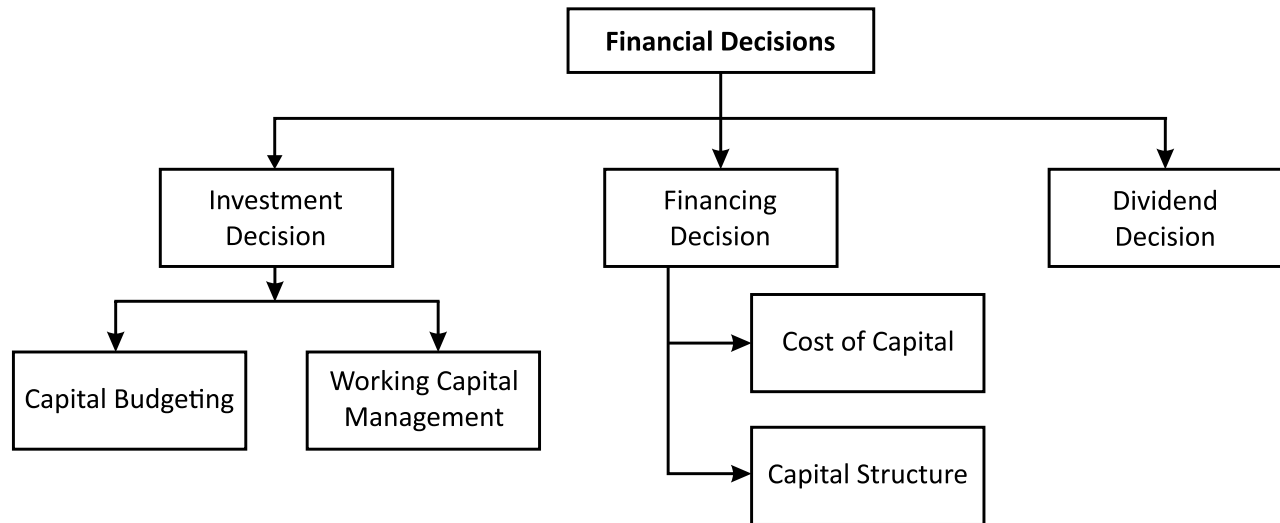
8. Tax Optimization

Many functional areas and business units need to manage the level of tax liability undertaken in conducting business and to understand that mitigating risk also reduces expected taxes. Moreover, new initiatives, acquisitions, and product development projects must be weighed against their tax implications and net after-tax contribution to the firm's value. In general, performance must, whenever possible, be measured on an after-tax basis. Global companies must adopt this measure when operating in different tax environments, where they are able to take advantage of inconsistencies in tax regulations.

The introduction of the balanced scorecard emphasized financial performance as one of the key indicators of a firm's success and helped to link strategic goals to performance and provide timely, useful information to facilitate strategic and operational control decisions. This has led to the role of finance in the strategic planning process becoming more relevant than ever.

Strategy Financial Management

Strategic Financial Management (SFM) is concerned with development of a finance strategy by identification of some key strategic alternatives which are capable of maximizing entity's Net Present Value (NPV) and by allocation of scarce capital resources among the competing opportunities. It is concerned with taking these three key financial decisions:



Investment Decision

It is the first and foremost important component of financial strategy. In the course of business, the available finance with business is usually limited but the opportunities to invest are plenty. Hence, the finance manager is required to assess the profitability or return of various individual investment decisions and choose a policy which ensures high liquidity, profitability of an organization. It includes short term investment decisions known as working capital management decisions and long term investment decisions known as capital budgeting decisions.

- *Capital Budgeting*:- It is the process of making investment decisions in capital expenditure, benefits of which are expected over a long period of time exceeding one year. Investment decision should be evaluated in the terms of expected profitability, costs involved and the risks associated. This decision is important for setting up of new units, expansion of present units, reallocation of funds etc.
- *Short Term Investment Decision*:- It relates to allocation of funds among cash and equivalents, receivables and inventories. Such decision is influenced by trade-off between liquidity and profitability. Proper working capital management policy ensures higher profitability, proper liquidity and sound structural health of the organization.

Financing Decision

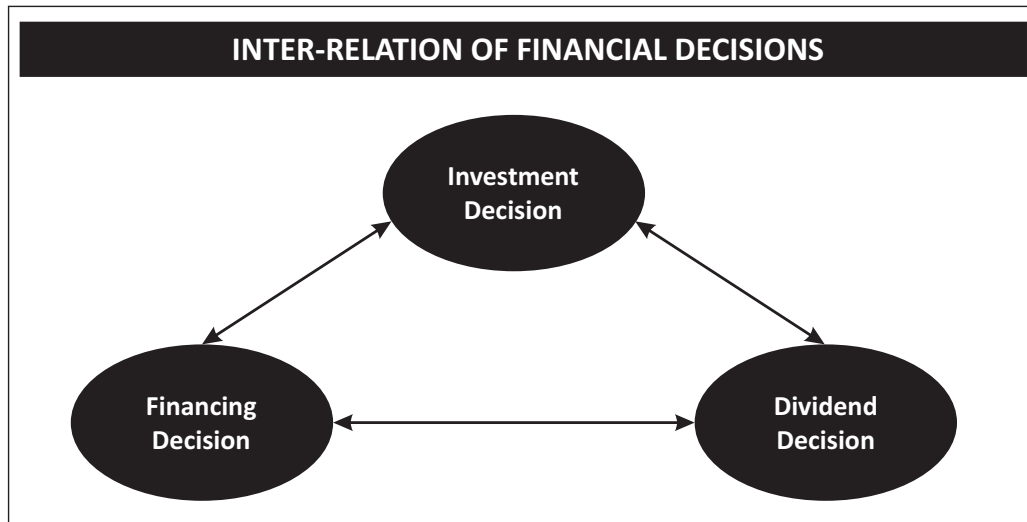
Once the requirement of funds has been estimated, the next important step is to determine the sources of finance. The manager should try to maintain a balance between debt and equity so as to ensure minimized risk and maximum profitability to business.

Dividend Decision

The third and last function of finance includes dividend decisions. Dividend is that part of profit, which is distributed to shareholders as a reward to high-risk investment in business. It is basically concerned with deciding as to how much part of profit will be retained for the future investments and how much part of profit will be distributed among shareholders. High rate of dividend ensures higher wealth of shareholders and also increase market price of shares.

Influences on financial strategy: Businesses may be reluctant to obtain extra funds due to a variety of reasons such as fear of loss of control, fear of equity not getting subscribed, fear of inability to service its debts, tax

shields, not having enough asset base to provide as security or to maintain good rating etc. Therefore, the manager must keep in mind such factors to make a trade-off for finance.



Although the basic decisions of finance include three types of decisions i.e. investing, finance and dividend decisions but they are interlinked with each other in a way. This is so because the main aim of all three decisions is profit maximization and wealth maximization of shareholders.

In order to make investment decisions such as investing in some major projects, the first thing is the finance available to make investment.

Finance decision is also a function of dividend decision. The more the dividend distribution, the more the dependency on external sources to raise finance and vice versa.

Marketing Strategy

Formulation of Marketing Strategy is the means by which a firm is effectively able to differentiate itself from its competitors by capitalising on its strengths (both existing as well as potential) to provide consistently better value to its customers than its competitors.

Marketing strategy is a long-term, forward-looking approach for attaining sustainable competitive advantage. It involves an analysis of the company's existing strategic situation before the formulation, evaluation and selection of market-oriented competitive position that contributes to the company's goals and marketing objectives.

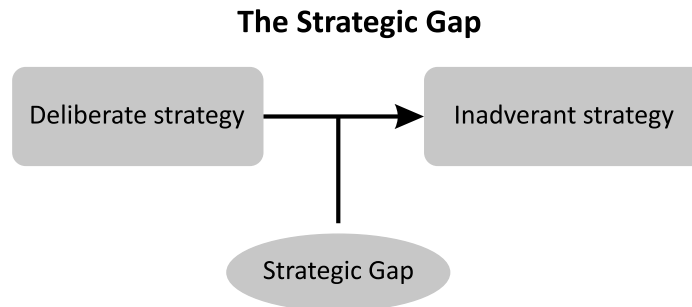
Definitions of Marketing Strategy

Marketing Strategy is:

- "The marketing strategy lays out target markets and the value proposition that will be offered based on an analysis of the best market opportunities." (Philip Kotler & Kevin Keller)
- "An over-riding directional concept that sets out the planned path." (Aaker and Mills)
- "Essentially a formula for how a business is going to compete, what its goals should be and what policies will be needed to carry out these goals." (Michael Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*)

In short, the Strategic Marketing answers three 'W's:

1. Which markets to compete in;
2. What is the basis of the firm's competitive; and
3. When to compete



STRATEGIC MARKETING PLANNING: AN OVERVIEW

The Strategic Gap

Marketing strategy involves mapping out the company's direction for the future, be it three, five or ten years. It involves carrying out a 360° review of the firm and its operating environment with a view to identify new business opportunities that the firm could potentially leverage for competitive advantage. Strategic planning may also reveal market threats that the firm may need to consider for long-term sustainability.

Strategic planning is concerned with identifying the business opportunities that are likely to be successful and evaluates the firm's capacity to leverage such opportunities. It seeks to identify the *strategic gap*; that is the difference between where a firm is currently situated where it should be situated for sustainable, long-term growth.

Market Position and Strategy

In terms of market position, firms may be classified as market leaders, market challengers, market followers or market nichers.

- **Market leader:** The market leader is the one who controls significant market share. the goal of a market leader is to reinforce their prominent position through the use of branding to develop and maintain their corporate image and to restrict the competitors brand. Market leaders may adopt unconventional or unexpected approaches to building growth and their tactical responses are likely to include: product proliferation; diversification; multi-branding; erecting barriers to entry; vertical and horizontal integration and corporate acquisitions.
- **Market challenger:** The market challenger holds the next highest market share in the industry, following closely the most dominant player. Their market posture is generally offensive because they have less to lose and more to gain by taking risks. They will compete 'neck to neck' with the market leader in an effort to grab their market share. their overall strategy is to gain market share through product, packaging and service innovations and new market.
- **Market follower:** Followers are generally content by taking a backseat and follow the policy of wait and watch. they rarely invest in their own funds in R&D and sit and relax to watch market leaders to bring out novel and innovative products and afterwards adopt a "me-too" approach. Their strategy is to maintain their market position by preserving existing customer base. Their strategy is to maintain steady profits by controlling costs.

- **Market nicher:** The market nicher occupies a small niche in the market in order to avoid 'neck to neck' competition. Their objective is to build strong ties with the existing customer base and develop strong loyalty with them. Their strategy is to develop and build the smaller segment and protect it. Tactically, nichers are likely to improve the product or service offering, leverage cross-selling opportunities, offer value for money and build relationships through superior after sales service, service quality and other related value adding activities.

A key aspect of marketing strategy is to keep marketing consistent with a company's overarching mission statement. Strategies often specify how to adjust the marketing mix; firms can use tools such as Marketing Mix Modeling to help them decide how to allocate scarce resources, as well as how to allocate funds across a portfolio of brands. In addition, firms can conduct analyses of performance, customer analysis, competitor analysis, and target market analysis.

Entry strategies

Marketing strategies may differ depending on the unique situation of the individual business. According to Lieberman and Montgomery, every entrant into a market – whether it is new or existing – is classified under a Market Pioneer, Close follower or a Late follower.

- **Pioneers**

Market pioneers are known for innovative product development, resulting into some early entry market-share advantages than the followers as they have the first-mover advantage, pioneers must ensure that they are having at least one or more of three primary sources: technological Leadership, Pre-emption of assets or buyer switching costs.

Technological Leadership means gaining an advantage through either Research and Development or the "learning curve" for using the research and development as a key point of selling.

Pre-emption of Assets can help gain an advantage through acquiring scarce assets within a certain market, allowing the first-mover to be able to have control of existing assets rather than those that are created through new technology.

By being a first entrant, it is easy to avoid higher switching costs compared to later entrants. For example, those who enter later would have to invest more expenditure in order to encourage customers away from early entrants. It has been found that while Pioneers in both consumer goods and industrial markets have gained "significant sales advantages", they are at a disadvantage in terms of cost.

- **Close followers**

If there is a profit potential in the innovation introduced by marker pioneer, many businesses would step in offering the same product. Such people are more commonly known as Close followers. These entrants into the market can also be seen as challengers to the Market Pioneers and the Late followers. This is because early followers are more than likely to invest a significant amount in Product Research and Development than later entrants.

Due to the nature of early followers and the research time being later than Market Pioneers, different development strategies are used as opposed to those who entered the market in the beginning, and the same is applied to those who are Late followers in the market. By having a different strategy, it allows the followers to create their own unique selling point and perhaps target a different audience in comparison to that of the Market Pioneers.

- **Late entrants**

Those who follow after the close followers are known as the Late entrants. Late entrant has certain advantages such as ability to learn from their early competitors and improving the benefits or reducing

the total costs. This allows them to create a strategy that could essentially mean gaining market share and most importantly, staying in the market. In addition to this, markets evolve, leading to consumers wanting improvements and advancements on products. Late followers could have a cost advantage over early entrants due to the use of product imitation. Late entry into a market does not necessarily mean there is a disadvantage when it comes to market share, it depends on how the marketing mix is adopted and the performance of the business.

The requirements of individual customer markets are unique, and their purchases sufficient to make viable the design of a new marketing mix for each customer. If a company adopts this type of market strategy, a separate marketing mix is to be designed for each customer. Specific marketing mixes can be developed to appeal to most of the segments when market segmentation reveals several potential targets.

FORMULATION OF HUMAN RESOURCE STRATEGIES

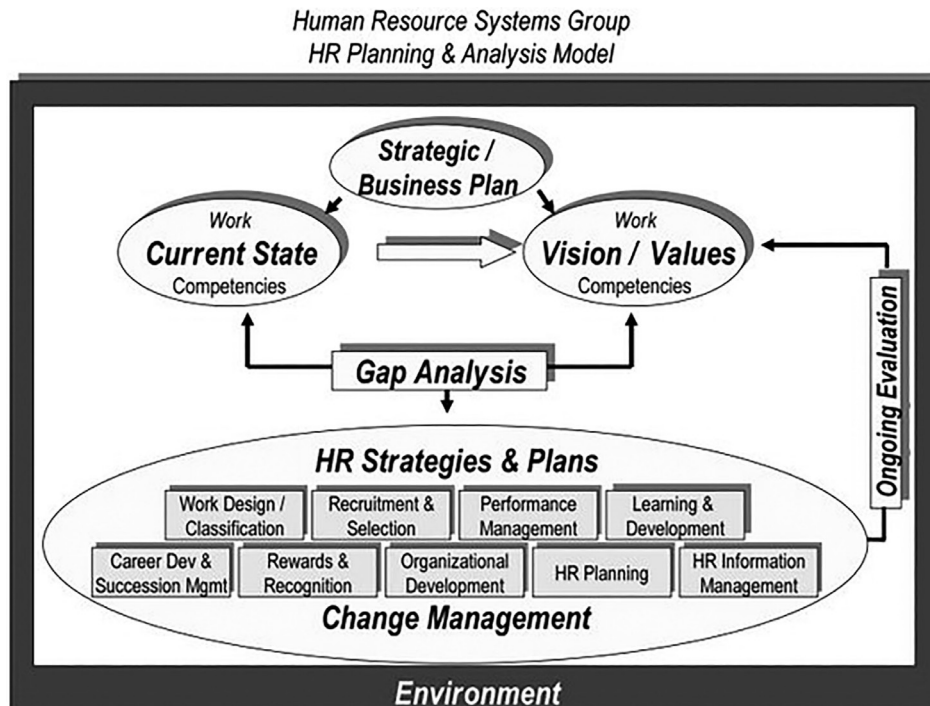
Human resource planning is a process that identifies current and future human resources needs for an organization to achieve its goals. Human resource planning should serve as a link between human resource management and the overall strategic plan of an organization. Ageing workers population in most western countries and growing demands for qualified workers in developing economies have underscored the importance of effective human resource planning.

As defined by Bulla and Scott, human resource planning is 'the process for ensuring that the human resource requirements of an organization are identified and plans are made for satisfying those requirements'.

Human resource planning includes creating an employer brand, retention strategy, absence management strategy, flexibility strategy, (talent management) strategy, (recruitment) and selection strategy.

Reilly defined (workforce planning) as: 'A process in which an organization attempts to estimate the demand for labour and evaluate the size, nature and sources of supply which will be required to meet the demand.'

This Strategic HR Planning and evaluation cycle is depicted in the diagram below:



Human resource planning is the ongoing process of systematic planning to achieve the best use of an organisation's most valuable asset – its human resources. The objective of human resource (HR) planning is to ensure the best fit between employees and jobs, while avoiding workforce shortages or surpluses. The three key elements of the HR planning process are forecasting labour demand, analysing present labour supply, and balancing projected labour demand and supply.

Implementing HR Strategy

1. Assessing the current HR capacity

This includes taking stock of the skills of the existing human resources of the organisation to have a clear understanding of the current skill set of the company. This will help in forecasting future HR requirements.

2. Forecasting HR requirements

This step includes projecting what the HR needs for the future will be based on the strategic goals of the organization and assessment of total skill set of existing human resources. Some questions to be asked during this stage include:

- The positions to be filled in the future period.
- The number of staff will be required to meet the strategic goals of the organization.
- Effect of external environmental forces in getting new human resources.

3. Gap analysis

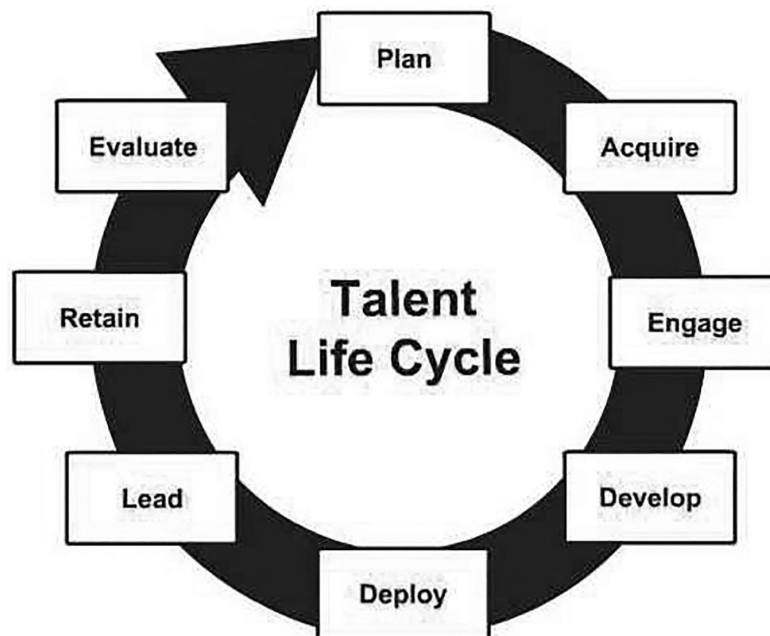
In this stage, one will make a comparison between existing and desired position of the organisation from strategic point of view. During this phase you should also review your current HR practices and if these require any amendments.

4. Developing HR strategies to support the strategies of the organization

The five HR strategies which may be adopted to attain the organizational goals are given hereunder:

- **Restructuring strategies**
This includes reducing staff, regrouping tasks to create well-designed jobs, and reorganizing work groups to perform more efficiently.
- **Training and development strategies**
This includes providing the current staff with training and development opportunities to encompass new roles in the organization.
- **Recruitment strategies**
This includes recruiting new hires that already have the skills the organization will need in the future.
- **Outsourcing strategies**
This includes outreaching to external individuals or organizations to complete certain tasks.
- **Collaboration strategies**
This includes collaborating with other organizations to learn from how others do things, allow employees to gain skills and knowledge not previously available in their own organization.
- **Retention strategy**
Every area of the employer-employee relationship in your organization deserves your attention. Embrace these key strategies to improve your organization's employee retention and boost employee satisfaction.

- **Onboarding and orientation** – The job orientation is just one component of onboarding, aim to develop an onboarding process where new staff members not only learn about the job but also the company culture and how they can contribute and thrive, with ongoing discussions, goals and opportunities to address questions and issues as they arrive.
- **Mentorship programs** – Pairing a new employee with a mentor is a great for retention. new team members can learn from the experience of a senior.
- **Employee compensation** – The organisation should offer competitive compensation packages which include salaries, bonuses, paid time off, health benefits, retirement plans and all the other perks.
- **Recognition and rewards systems** – Every person wants to feel appreciated for what they do. When they go the extra mile, they should be recognized. Some companies set up rewards systems that incentivize great ideas and innovation.
- **Work-life balance** – A healthy work-life balance is essential. Companies should give a serious thought for offering telecommuting or flexible schedules to improve work-life balance for their employees.
- **Training and development** – Smart managers invest in their workers' professional development and seek opportunities for them to grow. Some companies pay for employees to attend conferences or industry events each year, or provide tuition reimbursement or continuing education training.
- **Communication and Feedback** – Lines of communication should be kept open for ensuring employee retention. their ideas, questions and concerns must be welcomed.
- **Dealing with change** – If the organization is going through a merger, layoffs or other big changes, the employees must be taken into confidence beforehand to maintain their trust.
- **Fostering teamwork** – When people work together, they can achieve more than they would have individually. foster a culture of collaboration by clarifying team objectives, business goals and roles, and encouraging everyone to contribute ideas and solutions.
- **Team celebration** – Celebrate major milestones for individuals and for the team. Whether the team just finished that huge quarterly project under budget or an employee brought home a new baby, seize the chance to celebrate together with a shared meal or group excursion.





FORMULATION OF PRODUCTION STRATEGY

The different types of production strategies are grouped, listed and explained under following three categories, viz.,



The types of production strategies under **Business Strategies** are as follows:

1. Differentiation strategy
2. Cost leadership strategy
3. Market segmentation strategy.

The production strategies under **Competitive Priorities** are as follows:

1. Price or cost strategy
2. Quality strategy
3. Delivery strategy
4. Product mix or flexibility strategy
5. Service strategy
6. Eco-friendly products.

The production strategies under **Competitive Advantages** are as follows:

1. Flexible response strategy
2. Low cost strategy.

The types of production strategies listed above are discussed as follows:

1. Differentiation strategy

Under a differentiation strategy, the company tries to make a product different and unique from that offered by its competitors in the market. Such a differentiation may be done in terms of enhanced quality, quantity, pricing, appearance, and after sales-service than its rivals. Such a uniqueness and divergence in its product quality and customer service may lead to fetching higher prices by the company in the same market.

2. Cost leadership strategy

Under a cost leadership strategy, the company tries to diminish its cost of production by reaping economies of the scale on a larger volume of production in a single batch. Higher the scale of production, lower will be the cost of production due to reduction in fixed costs per unit of production be it raw materials, labour, advertising, sales promotion, R & D etc.

3. Market segmentation strategy

In market segmentation strategy, the company divides the market according to the type of customers it has to focus and target. It sells different products and services to different types of customers. To achieve this goal, it produces and sells goods and services as per the needs of the customers. Therefore, market segmentation strategy is also called **Focus Strategy**. For example, many detergent companies offer different variants of detergents with different price brackets.

4. Price or cost strategy

Under price or cost strategy, the company sells its product at a very low price. This strategy is used when the products are homogeneous in nature and company is not able to differentiate. That is, when the customers cannot distinguish the company's product from the competitors' products. In this case, the company will fix a low price to fetch maximum market share. For example, match sticks; the customer will not care much about brand while buying this and will easily switch to other brand, if his current company tries to raise the price.

5. Quality strategy

Under quality strategy, the company produces and sells 'premium' goods and services. The prices of such goods and services are naturally very high such as luxury cars and bikes. However, this strategy attracts those customers who have huge incomes and therefore prefer top quality products as a status symbol and are ready to pay high prices intentionally. To gain success in the market, the company must smartly invest to make quality innovative products that are free from any defects.

6. Delivery strategy

Under delivery strategy, the company delivers its product and services to their customers as early as possible within a fixed time period. The company gives top priority to fast delivery of products and providing quickest accessibility of services. Speed delivery of products and fastest accessibility of services removes the problem of scarcity and unnecessary delays in the market. Delivery strategy is used as a selling tactic to fight cut-throat competition.

7. Product mix or flexibility strategy

Under this strategy, the company produces and sells a product mix. A product mix is a group of products, which are sold by the same company. For example, Hindustan Lever, P& G etc. Here, the company does not depend only on a single product for its survival and growth. It uses a product mix as it offers many advantages to the company. However, only large companies with huge production capacity can adopt this strategy.

8. Service strategy

Under this strategy, the company uses a service to attract the customers. It gives quicker and better after-sales service. It gives around the clock, i.e. 24-hour customer service. It may render this service directly via the company or through the network of call centres. Service is required for both consumer goods as well as industrial goods.

9. Eco-friendly products

Under eco-friendly strategy, the company produces and sells environment-friendly products also called as Green Products. For example, producing and selling lead-free petrol to reduce pollution, manufacturing mercury-free television panels, etc., are some good steps to preserve nature. This is a new type of production strategy. It is used to reduce pollution and protect the biosphere. Companies may also recycle certain materials like plastic, metals and papers. The properly recycled products are later used for manufacturing new products and in packaging. Companies use biodegradable packing material to reduce the problem of waste disposal. Recycling reduces continuous demand cycle of natural resources and hence somewhat minimize the exploitation of environment. The company informs the public about their environment-friendly manufacturing approach through advertisements.

10. Flexible response strategy

Flexible response strategy is said to be used when a company makes required changes in its production plans in accordance with the emerging changes in the market. Here, focus is given to speed and reliability. That is, the company must make swift changes as per the emerging changes in the market demand. It must also give a regular supply of goods to its customers. There must not be any shortage of goods in the market. To achieve this, the company must follow a strict production schedule.

11. Low cost strategy

Under low cost strategy, the company fights massive market competition by selling its products at very lower prices. Simultaneously, it must also maintain the quality of its products. A company can only

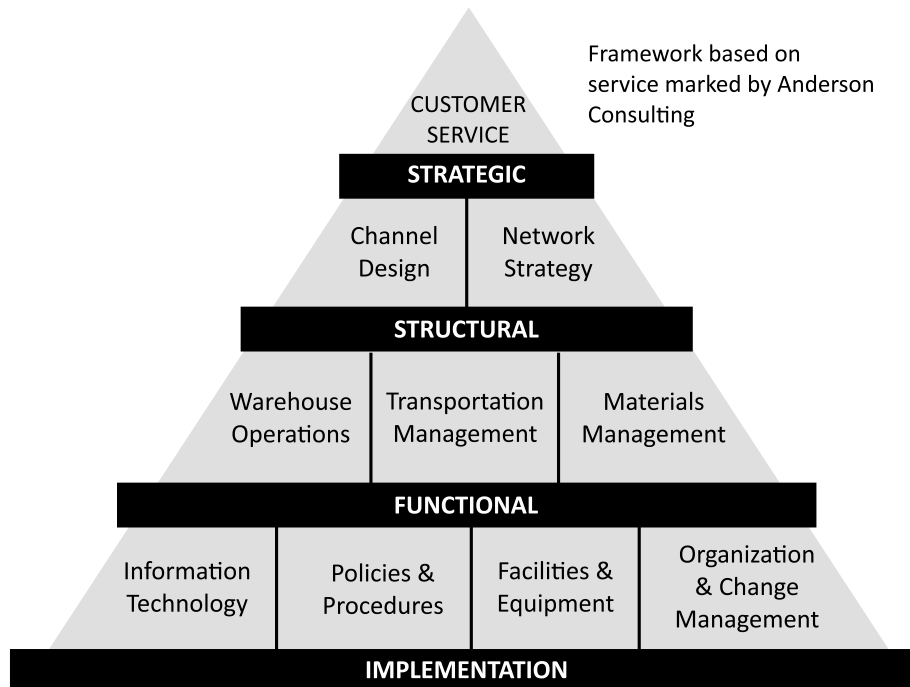
sell its goods at minimum prices if it maintains a low cost of production and distribution. This can be done by producing and distributing goods on a large scale. That is, company must take advantage of economies of large-scale production.

FORMULATION OF LOGISTICS STRATEGY

Logistics strategy is defined as “the set of guiding principles, driving forces and ingrained attitudes that help to coordinate goals, plans and policies between partners across a given supply chain.”

Logistics is not confined to tactical decisions about transportation and warehousing. Longer-term decisions are needed to put in place the capabilities that ensure that logistics plays a full role in supporting a company's products in the market place.

When a company creates a logistics strategy, it defines the service levels at which its logistics organization will be most cost effective. Because supply chains are constantly changing and evolving, a company may develop a number of logistics strategies for specific product lines, specific countries, or specific customers.

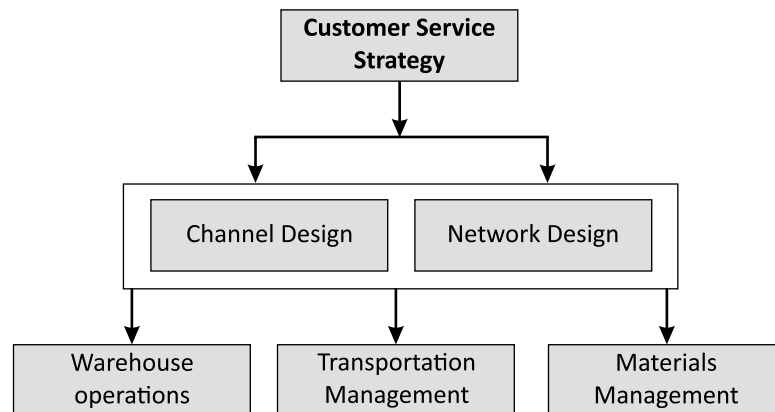


Strategic Level: By examining the company's objectives and strategic supply chain decisions, the logistics strategy should review how the logistics organization contributes to those high-level objectives. The top level is the Strategic level that defines Customer service strategy. Customer service strategy is the driving force behind the design and operations of a company's logistics supply chain. The key inputs that go into defining a customer service strategy are the company's products, its markets and its customer service goals.

Structural and Functional Levels: In any Strategic planning exercise, there is an interplay between strategy and functional operations. In our logistics strategy framework, functional layers provide important inputs to finalize the Structural layer.

Channel Design: Pertains to activities and functions that need to be carried out to achieve the customer service goal.

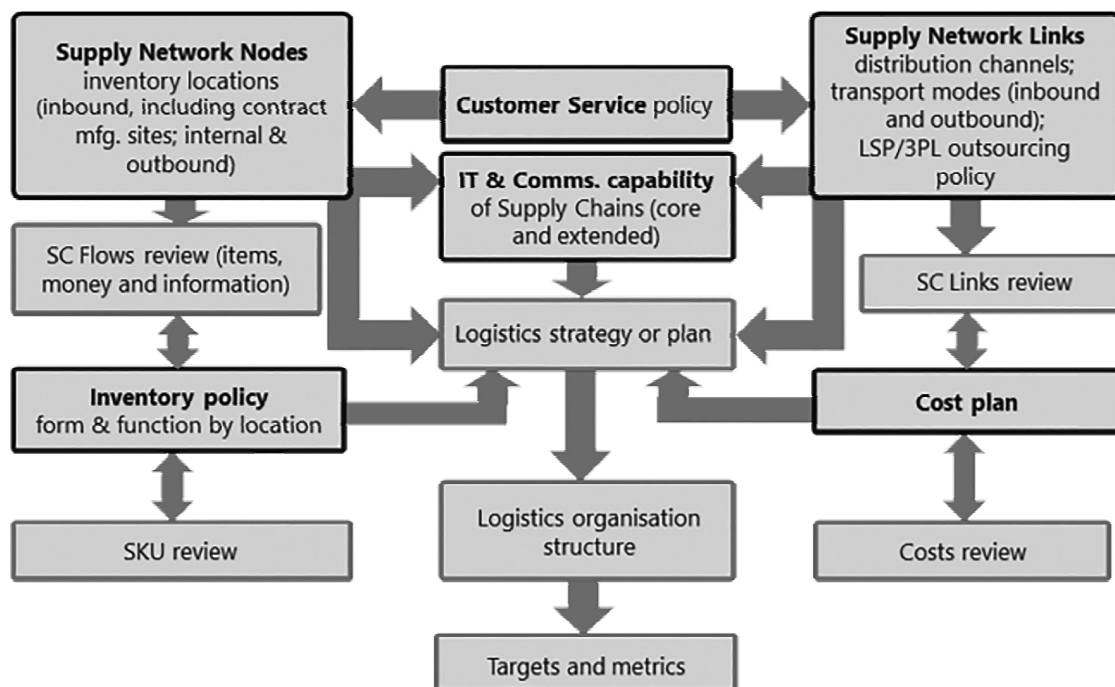
Network Strategy: Locations and missions of facilities and strategies for using these facilities to achieve the customer service strategy.



The process of designing the structural element of the strategy is integrated with the functional elements of the strategy as well. Warehouse Operations, transportation Management and Material management decisions are inputs to a detailed structural strategy.

Implementation: In this final phase, people, business processes and IT come together to support and execute the Logistics Strategy. Implementation is one of the most important and challenging aspects of your Logistics strategy.

An example of one function is the Logistics Strategy plan:



Elements of the Logistics Strategy plan

The Logistics Strategy plan is then developed within eight elements:

1. *Customer service policy* – The appropriate level of service for customers, by product group or market segment; considering: order fulfilment requirements, enquiry and investigation capability and the available information. The customer service policy informs the nodes and links of the supply network.

2. *Inventory location policy (Supply Network nodes)* – Centralised or decentralised inventory; whether to differentiate facilities by fast and slow moving stock; location of sites; use of specific technologies and layouts; company-owned or contracted facilities.
3. *Inventory policy* – Form and function of inventory by location; the appropriate amount of stock to hold for various groups of inventory; planning structure that links outbound and inbound materials.
4. *Cost plan* – Trade-off analysis between cost and service level requirements; cost of Logistics operations.
5. *Transport and distribution (Supply Network links) policy* – Affected by whether enterprise imports or exports and the size and structure of conurbations being served. This incorporates transport modes, delivery pattern and storage location considerations, based on the time taken for deliveries.
6. *IT and Communications capability*: Technologies (including software) that will be internally developed; buy planning and scheduling applications from single supplier or obtain 'best of breed' applications.
7. *Logistics organisation structure*: Function or flow based; allocation of responsibilities; managed or self-managed teams.
8. *Logistics Targets and metrics*: Measures of performance and achievement targets; operations improvements process and management.

It would be interesting to discuss some business strategy case studies, i.e., leading digital marketing strategy oriented case studies that assisted the firms in gaining success.

CASE STUDIES

1. How Mint Used Online Marketing to Successfully Launch a Digital Empire

When Mint first launched in 2006, it was nothing more than an account aggregation service. Yet Mint has now become a household name with over 20 million users. Acquired by Intuit for \$170 million in 2009, Mint is a personal finance tracker that makes it easy for customers to achieve their financial goals, track their budget, and find deals on credit cards, loans, mortgages, and auto loans.

Mint faced an uphill battle, as it needed to convince users that it was safe to consolidate their banking data under a single service. When the aggregation service first came out in 2006, this was something many users were told never to do.

Despite this, through a comprehensive online marketing campaign, Mint was able to successfully start acquiring revenue through lead generation by 2008 — leveraging its referral fees.

Mint's challenges were two-fold: they needed to convince customers that this was a service they needed and that they were a reputable, safe service to use. They were able to do this through their multi-channel marketing, which built authority and brand awareness throughout their targeted millennial audience.

Key aspects of their marketing strategy included the following:

The MintLife Blog

Mint understood that their major customer demographics were likely to be millennials who wanted to get a foothold on their finances. The MintLife blog was directed at bringing in younger individuals who had questions about their finances.

What goes into a credit score? How do you get started buying a house? Is it possible to purchase a car with bad credit? Blog-based content marketing brought in an audience demographic that was likely to be interested in their services.

Social Media Interaction

Through social media, Mint became extraordinarily responsive. The team at Mint hosted promotions, gave away free items and discounts, and engaged with the audience that they expected to be most interested in its service.

By establishing relationships with known brands through social media — such as credit card companies — Mint was also able to easily build its perceived authority with its potential audience. Mint's social media was not self-promoting; instead, it focused on giving its millennial audience information about money saving tips, financial news, and more.

Explainer Videos

Finally, Mint still needed to tackle the concept of a financial tracker — showing its audience that it needed the tool that it was providing. It was able to do this through a sequence of explainer videos and articles designed to show the value of the website.

As a free website, Mint only needed to convince its users to convert to a free account — from there, the value presentation was within the tool itself. Ultimately, Mint was able to grow its business by establishing authority, creating a wide array of content marketing, and offering clear, understandable explanations about the usability of its tool.

2. Dropbox Grows from 1 Million to 500 Million Users in Just 7 Years

Ranked as one of the most valuable startups in the world, Dropbox is currently one of the most used digital utilities across the globe. Dropbox has a total of 500 million users, and its usage has been growing steadily ever since. From 2009 to 2016, Dropbox was able to achieve growth from 1 million to 500 million users. Much of this dramatic growth was fuelled by online marketing.

As an online service, Dropbox's online marketing was particularly important. Its users were already there — it just needed to find a way to tap into them. It was able to do this in a scalable, cost-effective way by essentially recruiting its own customers. Dropbox encouraged customers to invite others through a variety of social media platforms, which turned the ordinary user into a brand ambassador.

Further, Dropbox had to segregate its marketing campaigns. It wasn't just a B2C utility; its ultimate goals were to serve to businesses who would be more likely to pay for a premium model.

This meant that Dropbox had to reach a certain saturation point. The more ubiquitous its product became, the more likely it would be that commercial enterprises would invest in premium services. This underscored the importance of fast, even chaotic, growth.

Key aspects of their marketing strategy included the following:

i) A Clean, Clear Landing Page

Dropbox's landing page immediately describes its product in a single sentence and then prompts users to commit. As a free product, Dropbox yields the best results by encouraging users to test out their service. Once users test out their free service, ideally their company will be encouraged to pay for a premium version.

ii) Built-In Marketing Incentives

Dropbox encouraged users to connect with others and promote Dropbox as a service by giving them more space for their files. By sharing content on Twitter, Facebook, and other social media platforms, users could get an upgrade to the amount of space that they had. Not only did this bring users closer to the brand, but it also made for fast-paced grass roots growth.

iii) An Inspiring Market Platform

As an overall utility, Dropbox had to reach a very large audience. It geared up for this audience engagement through a unique online marketing campaign that was designed to show its values. Customers began to see the brand as standing for something, rather than being yet another software utility.

Of course, none of this marketing would have gotten as far as it did if it wasn't for the utility of the service. The advantages of a freemium model really only work when the service is clearly worth paying for. Nevertheless, the marketing strategies listed above were instrumental in securing Dropbox incredible, sustainable, and exponential growth.

3. Golden Heart Senior Care Leverages Reputation Management to Build Trust

Plumbers, restaurants, and long-term care services — they all have something in common. People seeking these services are likely to look up reviews, testimonials, and third-party ratings before making a decision. Companies that offer personal services have a long road ahead of them. Without an online reputation, few customers will be willing to give them a chance.

Golden Heart Senior Care needed to make sure that customers saw them as trustworthy and reliable. To that end, they turned to online marketing.

Through a digital marketing team, they were able to boost their online reviews as well as develop themselves as a trustworthy authority regarding long-term senior care. Active social media accounts, a polished blog, and reviews on multiple platforms were all able to bolster the care service's reputation.

Reputation management is the art of pushing positive content to the top. Not only do reputation management companies need to promote positive content, but they also need to be able to bury content that may be incorrect or outdated. Nothing can ever be removed from the Internet; instead, through SEO and content marketing, digital marketers have to promote the best content first.

Key aspects of their marketing strategy included the following:

i) Managing Online Reviews

Through a curated online review platform, Golden Heart Senior Care was able to share positive reviews as well as curating reviews that were incorrect. Golden Heart Senior Care was offered the opportunity to address any negative reviews while also encouraging satisfied clients to post their own reviews. The more reviews posted on an online review platform, the more relevant it became to search engines — and therefore, the more it was pushed to the top of results. Presently, Golden Heart Senior Care can be seen on multiple senior care review websites, ranking at a 5 out of 5 stars.

ii) Posting Original and Curated Information

To establish themselves as an authority and reach out to their leading demographics, Golden Heart Senior Care began to produce and share valuable content about seniors and their abilities. In addition to this, Golden Heart Senior Care also shared curated information, establishing themselves as an all-around resource and giving them additional content to share beyond the custom content that they themselves had created. Together, this made for an active, versatile social media presence.

iii) Engaging with Followers Online

A long-term care service is an intensely personal relationship. Golden Heart Senior Care was able to connect with potential clients or their loved ones directly through their social media.

One-on-one interaction with potential clients improved perception of the care centre, while also addressing any questions or concerns that followers might have. Even potential clients who did not have questions could see how responsive the care centre was online, which mattered in terms of reputation.

As a relatively small company, Golden Heart Senior Care has a fairly specific demographic: seniors (and their families) within their geographic area. This type of marketing requires an extremely personal touch.

Through reputation management, Golden Heart Senior Care was able to capture an audience who already knew that they needed their services, but who also had questions and concerns about the process — and who wanted to find the most trustworthy service available.

In a rating-filled world, companies need to be especially conscientious about positive and negative reviews and how they may adversely impact them.

4. First Fruit Wellness Center Expands to Three Locations through Social Media Engagement

Converting followers to leads is one of the major challenges of any marketing campaign. Yet this wellness centre had a unique and personal take on social media marketing. By engaging with followers one-on-one, First Fruit Wellness Center developed close relationships with potential customers online. Social media campaigns don't have to feel impersonal — though they often do.

Wellness centres have a unique marketing challenge: they need to show their clientele that there is a need for them. Wellness centres need to be able to reach out to those who are interested in improving their health and show the value of their services before customers walk in the door.

Most social media campaigns are primarily based around the idea of brand awareness: making it known that your business is open and available. But First Fruit Wellness Center went a step further by actively engaging their followers — asking them questions about their health and their goals and encouraging them one-on-one to come into the centre and see what it could do for them.

For larger enterprises, this type of constant one-on-one interaction might seem taxing. But for a brick-and-mortar wellness centre, these personalised interactions ultimately led to leads.

Key aspects of their marketing strategy included the following:

i) Building Out their Content Marketing

It was through content marketing that the First Fruit Wellness Center was able to initially build an audience. Engagement campaigns cannot work without followers already available. Posting interesting content, sharing curated content, and interacting with similar brands were the first step towards building First Fruit Wellness Center's social media campaigns.

ii) Connecting Directly with Followers

When followers connected with First Fruit Wellness Center, the marketing team began to interact with them immediately — asking them questions about their interests and their goals. This type of personal interaction is extraordinarily rare on social media today and served the purpose of not only establishing relationships with customers, but also showing them that this company was different.

iii) Getting the Followers to Come In

Ultimately, to get leads the marketing team needed to get people in the door. Once relationships were sufficiently established, the marketing team of First Fruit Wellness Center encouraged potential customers to come in to find out more about the centre and what it could offer to them. By bringing in leads in this fashion, nearly all of the nurturing was done through the online platform.

Despite the time commitment, these strategies are scalable. Many large brands — most famously Wendy's — have extremely active social media accounts, through which they interact with customers and respond to customers regularly. Unique to First Fruit Wellness Center, however, is the type of ongoing interactions, relationship building, and lead generation that the marketing team engaged in. By establishing an individual rapport with each follower, the centre was able to send a message that it valued them.

First Fruit Wellness Center is interesting in another way: shortly after expanding to multiple locations, they appear to have discontinued their marketing campaigns. As a direct consequence, their account can now be seen to be mostly inactive — and all of the social media momentum they built died off. This is a sobering reminder that social media is a living entity and that it needs to be continually refuelled and revised.

5. Roofstock Uses Press Releases, News Sites, and Paid Advertising to Disrupt Real Estate Market

Not many individuals are interested in purchasing investment property sight unseen. Yet this is exactly the premise that Roofstock needed to sell. Roofstock is a disruptive real estate service, designed to make it easier for investors to purchase properties from anywhere in the world.

Once properties are purchased online, they are managed by local property management companies. Investors are able to reap the benefits of an investment property with none of the negatives — at least, that's the theory.

Of course, that's a hard sell to a lot of investors. Experienced investors already have their own networks in place, while inexperienced investors may fear such a high-risk strategy. That's where Roofstock's digital marketing came in.

Rather than just focusing on traditional content marketing and social media, Roofstock acquired coverage in magazines such as Forbes. Online press releases and news articles were used to build both credibility and awareness.

This was further augmented by paid marketing campaigns on communities such as Reddit, directed towards investors. Roofstock additionally embarked upon reputation management, and presently there are a number of solid reviews and ratings for the service — showing it as a reputable and trustworthy resource. Together, these strategies were used to establish the company in a disruptive space, providing a service that many had otherwise never heard of before.

Key aspects of their marketing strategy included the following:

i) Placement in Reputable Magazines and News Outlets

For Roofstock, traditional blog posts and content marketing wasn't enough. A company asking investors for tens (or hundreds) of thousands of dollars needed more. Positioning themselves in Forbes, Business Insider, and other high-quality online venues allowed for a better perceived reputation.

ii) Reviews and Reputation Management

Reputation was important for Roofstock as many would be looking up the company to make sure it was legitimate. Roofstock invested in reputation management enough to ensure that it had positive, reputable reviews showing up whenever potential clients searched for the company on a search engine. It wasn't enough for Roofstock itself to rank highly in terms of SEO; its reviews and testimonials needed to as well.

iii) Paid Advertising

For high-value companies such as Roofstock, the ROI of paid advertising is even more extraordinary. A company can spend a great deal on procuring leads if each lead brings in thousands of dollars. However, just general advertising often isn't enough to bring in interested leads. Roofstock was able to leverage the communities of Reddit for targeted advertising services.

Disruptive businesses often face significant challenges when advertising, as they need to show users that there is a new way to accomplish their goals. Roofstock was able to build its reputation and credibility through the use of pre-existing finance and business venues. Simultaneously they ran an education campaign that explained to prospective clients what its service did and how its service was better than its predecessors.

LESSON ROUND-UP

- Business policies are the guidelines developed by an organization to govern the actions of those who are a part of it. They define the potential limits within which decisions must be made.
- The origins of business policy can be traced back to the year 1911, when Harvard Business School introduced an integrative course in management aimed at the creation of general management capability.
- Vision serves the purpose of stating what an organization wishes to achieve in the long run.
- A mission statement defines the basic reason for the existence of that organization. Such a statement reflects the corporate philosophy, identity, character, and image of an organization.
- Corporate Strategy highlights the pattern of business moves and goals concerning strategic interest, in different business units, product lines, customer groups, etc. It defines how the firm will remain sustainable in the long run.
- Where SBU concept is applied, each SBU sets its own strategies to make the best use of its resources (its strategic advantages) given the environment it faces.
- Functional strategy, relates to a single functional operation and the activities involved therein. Decisions at this level within the organization are often described as tactical.

GLOSSARY

Competitive Positioning: Competitive positioning is about defining how you'll "differentiate" your offering and create value for your market. It's about carving out a spot in the competitive landscape, putting your stake in the ground, and winning mindshare in the marketplace – being known for a certain "something."

Strategic Business Unit: A strategic business unit, popularly known as SBU, is a fully-functional unit of a business that has its own vision and direction. Typically, a strategic business unit operates as a separate unit, but it is also an important part of the company. It reports to the headquarters about its operational status.

Differentiation Strategy: A differentiation strategy is an approach to develop businesses by providing customers with something unique, different and distinct from items their competitors may offer in the marketplace. The main objective of implementing a differentiation strategy is to increase competitive advantage.

Cost Leadership Strategy: Offering products at the lowest cost available is a strategy which the businesses often use to stimulate growth. A company is more competitive when it can offer its products at a lower price.

TEST YOURSELF

(These are meant for recapitulation only. Answer to these questions are not to be submitted for evaluation.)

1. What is Business Policy. Give its definition and features ?
2. Discuss features of Business Policy.
3. Discuss the importance of Business Policy.
4. Elaborate framework of Strategic Management.
5. Discuss
 - Vision
 - Mission
 - Objectives
 - Goals
 - Purpose
 - Policy
 - Procedure.
6. What do you mean by Formulation of Functional Strategy?
7. Discuss tools and techniques of Strategic Analysis.
8. What are different types of production strategies?

LIST OF FURTHER READINGS

- Business Strategy: Managing Uncertainty, Opportunity, and Enterprise by J.C. Spender
- Return On Influence: The Revolutionary Power of Klout, Social Scoring, and Influence Marketing by Mark Schaefer
- Tilt: Shifting Your Strategy from Products to Customers by Niraj Dawar
- Gaining and Sustaining Competitive Advantage by Jay Barney.

OTHER REFERENCES

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- <https://hbr.org/1977/11/logistics-essential-to-strategy>
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