STRATEGIC MANAGEMENT MATERIAL

MBA SEMESTER - 3

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Module – 1

Strategic Management: An Introduction

STRATEGY

- The Oxford Dictionary defines strategy as: “A plan of action designed to achieve a long-term or overall aim”.

- An example of a strategy is the soccer team using a specific play from their coach in order to win.

- Strategy is an action that managers take to attain one or more of the organization's goals.

- Strategy can also be defined as “A general direction set for the company and its various components to achieve a desired state in the future.

STRATEGIC MANAGEMENT

- Strategic management is the ongoing planning, monitoring, analysis and assessment of all necessities an organization needs to meet its goals and objectives.

- Changes in business environments will require organizations to constantly assess their strategies for success.

- Strategic management is the process of setting goals, procedures, and objectives in order to make a company or organization more competitive. Typically, strategic management looks at effectively deploying staff and resources to achieve these goals.

- A strategic plan is, in essence, a company's game plan. Just as a football team needs a good game plan to have a chance for success, a company must have a good strategic plan to compete successfully.

- Strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy.

- A strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.

- When choosing a strategy, firms make choices among competing alternatives as the pathway for deciding how they will pursue strategic competitiveness.

- In this sense, the chosen strategy indicates what the firm will do as well as what the firm will not do.
- A firm has a competitive advantage when it implements strategy competitors are unable to duplicate or find too costly to try to imitate.
- An organization can be confident that its strategy has resulted in one or more useful competitive advantages only after competitors' efforts to duplicate its strategy have ceased or failed.
- In addition, firms must understand that no competitive advantage is permanent.
- The speed with which competitors are able to acquire the skills needed to duplicate the benefits of a firm's value creating strategy determines how long the competitive advantage will last.

Critical Tasks of Strategic Management

1. Formulate the company's mission
2. Conduct internal analysis
3. Assess the company's external environment
4. Analyze company's options
5. Identify most desirable options
6. Select long-term objectives and grand strategies
7. Develop annual objectives and short-term strategies
8. Implement the strategic choices
9. Evaluate success of the strategic process

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Basic model of Strategic Management

Strategic Inputs

Chapter 2
The External Environment

Chapter 3
The Internal Organization

Vision
Mission

Strategic Actions

Strategy Formulation

Chapter 4
Business-Level Strategy

Chapter 5
Competitive Rivalry and Competitive Dynamics

Chapter 6
Corporate-Level Strategy

Chapter 7
Merger and Acquisition Strategies

Chapter 8
International Strategy

Chapter 9
Cooperative Strategy

Strategy Implementation

Chapter 10
Corporate Governance

Chapter 11
Organizational Structure and Controls

Chapter 12
Strategic Leadership

Chapter 13
Strategic Entrepreneurship

Strategic Outcomes

Strategic Competitiveness
Above-Average Returns

Feedback

Above Average Returns

- **Above-average returns** are returns in excess of what an investor expects to earn from other investments with a similar amount of risk.
- **Risk** is an investor's uncertainty about the economic gains or losses that will result from a particular investment.
- Effectively managing risks reduces investors' uncertainty about the results of their investment.
- Returns are often measured in terms of accounting figures, such as return on assets, return on equity, or return on sales.
- Understanding how to exploit a competitive advantage is important for firms seeking to earn above-average returns.
- Firms without a competitive advantage or that are not competing in an attractive industry earn, at best, average returns.

Plan vs. Strategy

The Plan

- A plan is usually a list of steps taken to accomplish a goal. A plan tackles questions like how, when, where, who, and what? A plan is a good thing to have.
- In fact, it is vital to the success of almost any effort. However developing a plan should not be the first step in addressing a task.

The Strategy

- A strategy is bigger than a plan. Strategy tackles the question of why? It has a large scope and looks at the end result as well as the many paths to the desired outcome.
- A strategy looks at every possible influencing factor, both seen and unforeseen and comes to terms with the whole situation, not just one end result.

- A plan says, ―Here are the steps, while a strategy says, ―Here are the best steps.
- Strategy speaks to the reasons why, while the plan is focused on how.
- In a perfect world the strategy always comes before a plan and shapes the details of the plan.
- A strategy is the overarching wisdom that coordinates all of the plans in order to effectively reach the goals.

STRATEGIC MANAGEMENT PROCESS

Step 3. Analysis of internal strength and weaknesses

Step 1. Establishment of vision, mission, values and goals

Step 4. SWOT analysis and strategy formulation

Step 5. Strategy implementation

Step 6. Strategic control

Step 2. Analysis of external opportunities and threats

- The strategic management process is the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns.

- The firm's first step in the process is to analyse its external environment and internal organization to determine its resources, capabilities, and core competencies—the sources of its –strategic inputs.

- With this information, the firm develops its vision and mission and formulates one or more strategies. To implement its strategies, the firm takes actions toward achieving strategic competitiveness and above average returns.

- Effective strategic actions that take place in the context of carefully integrated strategy formulation and implementation efforts result in positive outcomes.

- There is dynamic strategic management process must be maintained as ever-changing markets and competitive structures are coordinated with a firm's continuously evolving strategic inputs.

Limitations of Strategic Management

- Time consuming
- Challenging process
- Absence of short-term benefit
- Unexpected outcomes
- Poor Adaptability
- Limited set of rules

Stakeholders in Business

- Stakeholders are the individuals and groups who can affect the firm’s vision and mission, are affected by the strategic outcomes achieved, and have enforceable claims on the firm’s performance.

- Every organization involves a system of primary stakeholder groups with whom it establishes and manages relationships. Stakeholders are the individuals and groups who can affect the firm’s vision and mission, are affected by the strategic outcomes achieved, and have enforceable claims on the firm’s performance.

- Claims on a firm’s performance are enforced through the stakeholders’ ability to withhold participation essential to the organization’s survival, competitiveness, and profitability.

- Stakeholders continue to support an organization when its performance meets or exceeds their expectations. Also, research suggests that firms that effectively manage stakeholder relationships outperform those that do not.

- Stakeholder relationships can therefore be managed to be a source of competitive advantage. Although organizations have dependency relationships with their stakeholders, they are not equally dependent on all stakeholders at all times; as a consequence, not every stakeholder has the same level of influence.

- The more critical and valued a stakeholder's participation, the greater a firm's dependency on it. Greater dependence, in turn, gives the stakeholder more potential influence over a firm's commitments, decisions, and actions. Managers must find ways to either accommodate or insulate the organization from the demands of stakeholders controlling critical resources.

Classifications of Stakeholders

- The parties involved with a firm's operations can be separated into at least three groups.

- As shown in Figure, these groups are the capital market stakeholders (shareholders and the major suppliers of a firm's capital), the product market stakeholders (the firm's primary customers, suppliers, host communities, and unions representing the workforce), and the

organizational stakeholders (all of a firm's employees, including both non managerial and managerial personnel). Each stakeholder group expects those making strategic decisions in a firm to provide the leadership through which its valued objectives will be reached.

- The objectives of the various stakeholder groups often differ from one another, sometimes placing those involved with a firm's strategic management process in situations where trade-offs have to be made.

- The most obvious stakeholders, at least in U.S. organizations, are shareholders—individuals and groups who have invested capital in a firm in the expectation of earning a positive return on their investments. These stakeholders' rights are grounded in laws governing private property and private enterprise.

Stakeholders → People who are affected by a firm's performance and who have claims on its performance

Capital Market Stakeholders
- Shareholders
- Major suppliers of capital (e.g., banks)

Product Market Stakeholders
- Primary customers
- Suppliers
- Host communities
- Unions

Organizational Stakeholders
- Employees
- Managers
- Nonmanagers

- When the firm earns above-average returns, the challenge of effectively managing stakeholder relationships is lessened substantially.

- With the capability and flexibility provided by above-average returns, a firm can more easily satisfy multiple stakeholders simultaneously.

- When the firm earns only average returns, it is unable to maximize the interests of all stakeholders. The objective then becomes one of at least minimally satisfying each stakeholder.

- Trade-off decisions are made in light of how important the support of each stakeholder group is to the firm. For example, environmental groups may be very important to firms in the energy industry but less important to professional service firms.

- A firm earning below- average returns does not have the capacity to minimally satisfy all stakeholders. The managerial challenge in this case is to make trade-offs that minimize the amount of support lost from stakeholders.

- Societal values also influence the general weightings allocated among the three stakeholder groups shown in Figure. Although all three groups are served by firms in the major industrialized nations, the priorities in their service vary because of cultural differences. Next, we present additional details about each of the three major stakeholder groups.

1. Capital Market Stakeholders

- Shareholders and lenders both expect a firm to preserve and enhance the wealth they have entrusted to it. The returns they expect are commensurate with the degree of risk accepted with those investments (i.e., lower returns are expected with low-risk investments while higher returns are expected with high-risk investments).

- Dissatisfied lenders may impose stricter covenants on subsequent borrowing of capital. Dissatisfied shareholders may reflect their concerns through several means, including selling their stock.

- When a firm is aware of potential or actual dissatisfactions among capital market stakeholders, it may respond to their concerns.

- The firm's response to stakeholders who are dissatisfied is affected by the nature of its dependency relationship with them (which, as noted earlier, is also influenced by a society's values).

- The greater and more significant the dependency relationship is, the more direct and significant the firm's response becomes.

- Before liquidating, Circuit City took several actions to try to satisfy its capital market stakeholders. In part, these actions were taken because of the significance of Circuit City's dependence on its capital market stakeholders. Closing stores, changing members of the firm's top management team, and seeking potential buyers are examples of the actions Circuit City took in the final few years before liquidating.

- However, the reality is that none of these actions resulted in outcomes that allowed Circuit City to meet the expectations of its capital market stakeholders.

2. Product Market Stakeholders

- Some might think that product market stakeholders (customers, suppliers, host communities, and unions) share few common interests.

- However, all four groups can benefit as firms engage in competitive battles. For example, depending on product and industry characteristics, marketplace competition may result in lower product prices being charged to a firm's customers and higher prices being paid to its suppliers (the firm might be willing to pay higher supplier prices to ensure delivery of the types of goods and services that are linked with its competitive success).

- Customers, as stakeholders, demand reliable products at the lowest possible prices. Suppliers seek loyal customers who are willing to pay the highest sustainable prices for the goods and services they receive.

- Host communities want companies willing to be long-term employers and providers of tax revenue without placing excessive demands on public support services. Union officials are interested in secure jobs, under highly desirable working conditions, for employees they represent.

- Thus, product market stakeholders are generally satisfied when a firm's profit margin reflects at least a balance between the returns to capital market stakeholders (i.e., the returns lenders and shareholders will accept and still retain their interests in the firm) and the returns in which they share.

3. Organizational Stakeholders

- Employees—the firm's organizational stakeholders—expect the firm to provide a dynamic, stimulating, and rewarding work environment.

- As employees, we are usually satisfied working for a company that is growing and actively developing our skills, especially those skills required to be effective team members and to meet or exceed global work standards. Workers who learn how to use new knowledge productively are critical to organizational success. In a collective sense, the education and skills of a firm's workforce are competitive weapons affecting strategy implementation and firm performance.

- As suggested by the following statement, strategic leaders are ultimately responsible for serving the needs of organizational stakeholders on a day-to-day basis: –The job of strategic leadership is to fully utilize human potential, to create organizations in which people can grow and learn while still achieving a common objective, to nurture the human spirit.

- Interestingly, research suggests that outside directors are more likely to propose layoffs compared to inside strategic leaders, while such insiders are likely to use preventative cost-cutting measures and seek to protect incumbent employees.

Conclusion

- Firms use the strategic management process to achieve strategic competitiveness and earn above-average returns. Strategic competitiveness is achieved when a firm has developed and learned how to implement a value-creating strategy. Above- average returns (in excess of what investors expect to earn from other investments with similar levels of risk) provide the foundation a firm needs to simultaneously satisfy all of its stakeholders.

- Stakeholders are those who can affect, and are affected by, a firm's strategic outcomes. Because a firm is dependent on the continuing support of stakeholders (shareholders, customers, suppliers, employees, host communities, etc.), they have enforceable claims on the company's performance. When earning above-average returns, a firm has the resources it needs to at minimum simultaneously satisfy the interests of all stakeholders. However, when earning only average returns, the firm must carefully manage its stakeholders in order to retain their support. A firm earning below-average returns must minimize the amount of support it loses from unsatisfied stakeholders.

I/O & RBV Model

INDUSTRIAL ORGANIZATION MODEL (I/O) EXTERNAL	RESOURCE BASED VIEW MODEL (RBV) INTERNAL

- Both I/O & RBV model provide strategy formulation concerning how a company receives above average returns.
- Each captures a portion of the full set of decisions and actions necessary for a firm to be strategically competitive, and to achieve returns in success of the industry average.

		Helpful to achieving the objective	Harmful to achieving the objective	
	Internal origin (attributes of the organization)	Strengths	Weaknesses	Resource-Based
I/O	External origin (attributes of the environment)	Opportunities	Threats	

1) I/O Model of above average returns

- From the 1960s through the 1980s, the external environment was thought to be the primary determinant of strategies that firms selected to be successful.

- The industrial organization (I/O) model of above-average returns explains the external environment's dominant influence on a firm's strategic actions.

- The model specifies that the industry or segment of an industry in which a company chooses to compete has a stronger influence on performance than do the choices managers make inside their organizations.

- The firm's performance is believed to be determined primarily by a range of industry properties, including economies of scale, barriers to market entry, diversification, product differentiation, and the degree of concentration of firms in the industry.

- **20% of firm's profitability explained by industry in which it competes.**

- **36% of profitability attributed to firm's characteristics and actions.**

External Environments
General Environment
Economic
Demographic
Sociocultural
Industry Environment
Threat of New Entrants
Power of Suppliers
Power of Buyers
Product Substitutes
Intensity of Rivalry
Competitor Environment
Political/Legal
Global
Technological

I/O Model overview

Step	Stage
1. Study the external environment, especially the industry environment.	**The External Environment** • The general environment • The industry environment • The competitor environment
2. Locate an industry with high potential for above-average returns.	**An Attractive Industry** • An industry whose structural characteristics suggest above-average returns
3. Identify the strategy called for by the attractive industry to earn above-average returns.	**Strategy Formulation** • Selection of a strategy linked with above-average returns in a particular industry
4. Develop or acquire assets and skills needed to implement the strategy.	**Assets and Skills** • Assets and skills required to implement a chosen strategy
5. Use the firm's strengths (its developed or acquired assets and skills) to implement the strategy.	**Strategy Implementation** • Selection of strategic actions linked with effective implementation of the chosen strategy
	Superior Returns • Earning of above-average returns

I/O MODEL Assumptions

1. External environment impose pressures and restraints that determine strategies.

2. Most firms competing within an industry/segment control similar strategically relevant sources, therefore they pursue similar strategies.

3. Resources are highly mobile across firms, so resource difference will be short-lived.

4. Organization decision makers are rational and committed to acting in firm's best interest (profit maximizing behavior).

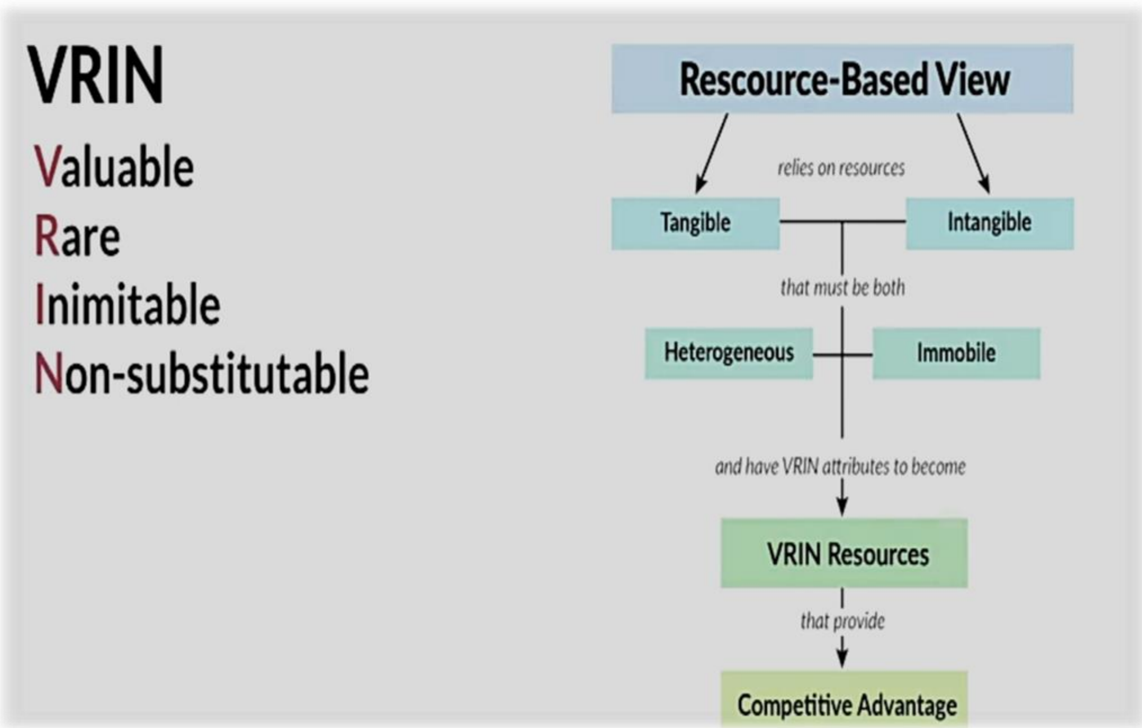
2) Resource Based View Model of Above Average Returns

- Resources are inputs into a firm’s production process, such as capital equipment, the skills of individual employees, patents, finances, and talented managers.

- A capability is the capacity for a set of resources to perform a task or an activity in an integrative manner.

- The resource-based model assumes that each organization is a collection of unique resources and capabilities. The uniqueness of its resources and capabilities is the basis of a firm’s strategy and its ability to earn above-average returns.

- Resources are inputs into a firm’s production process, such as capital equipment, the skills of individual employees, patents, finances, and talented managers. In general, a firm’s resources are classified into three categories: physical, human, and organizational capital.



- Competitive advantage achieved by exploiting internal firm capabilities rather than external factors.

- Assumes each organization is a collection of unique resources and capabilities (which are basis of firm's strategy and ability to earn above-average returns.

- Core assumption : firm's uniqueness, capabilities and core competencies have more influence on selecting and using strategies than the external environment.

Resource-Based Model overview

1. Identify the firm's resources. Study its strengths and weaknesses compared with those of competitors.	**Resources** • Inputs into a firm's production process
2. Determine the firm's capabilities. What do the capabilities allow the firm to do better than its competitors?	**Capability** • Capacity of an integrated set of resources to integratively perform a task or activity
3. Determine the potential of the firm's resources and capabilities in terms of a competitive advantage.	**Competitive Advantage** • Ability of a firm to outperform its rivals
4. Locate an attractive industry.	**An Attractive Industry** • An industry with opportunities that can be exploited by the firm's resources and capabilities
5. Select a strategy that best allows the firm to utilize its resources and capabilities relative to opportunities in the external environment.	**Strategy Formulation and Implementation** • Strategic actions taken to earn above-average returns
	Superior Returns • Earning of above-average returns

Comparison of I/O and Resource-Based Views of Competitive Advantage

	I/O	RESOURCE-BASED VIEW
Competitive advantage	Positioning in industry	Possessing unique organizational assets or capabilities
Determinants of profitability	Characteristics of industry; firm's position within industry	Type, amount, and nature of firm's resources
Focus analysis	External	Internal
Major concern	Competition	Competencies-Resources
Strategic choices	Choosing attractive industry; appropriate position	Developing unique resources and capabilities

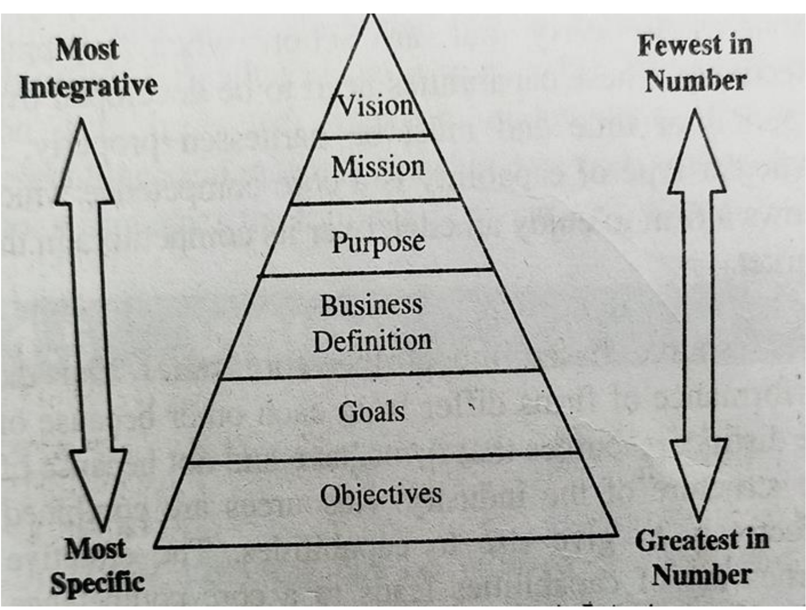
ABILITY vs. ENVIRONMENT

- Some fish can survive in both fresh and salt water environments.
- However, most fish have specific abilities that give them the capability to flourish in only one type of environment.
- Great abilities are wasted in the wrong environment.
- Your business truly excels when identifying both the right environment (I/O) and the right capabilities (RBV).

Conclusion

- As per researchers, both the industry environment and a firm's internal assets affect that firms performance over time.
- Firms uses both of these models to form vision and mission statement, in fact these models complement each other.

Strategic Intent



- Strategic intent is the term used to describe the aspirational plans, overarching purpose or intended direction of travel needed to reach an organizational vision.

- Strategic Intent can be understood as the philosophical base of strategic management process.

- It implies the purpose, which an organization endeavor of achieving. It is a statement that provides a perspective the means, which will lead the organization, reach the vision in the long run.

Attributes of Strategic Intent

- Sense of Direction
- Sense of Discovery
- Sense of Destiny

Vision

- **Vision** is a picture of what the firm wants to be and, in broad terms, what it wants to ultimately achieve. Thus, a vision statement articulates the ideal description of an organization and gives shape to its intended future.

- Vision is ―big picture‖ thinking with passion that helps people *feel* what they are supposed to be doing in the organization

- All types of organizations, including for-profit companies, nonprofits, charities, and other groups use vision statements to guide them with their important work. They need to be clear on what role the vision will serve in the organization.

- A vision statement tends to be relatively short and concise, making it easily remembered.

Examples of vision statements include the following:

- **Our vision is to be the world's best quick service restaurant. (McDonald's)**
- **To make the automobile accessible to every American. (Ford Motor Company's vision when established by Henry Ford)**
- As a firm's most important and prominent strategic leader, the CEO is responsible for working with others to form the firm's vision.
- Experience shows that the most effective vision statement results when the CEO involves a host of stakeholders (e.g., other top-level managers, employees working in different parts of the organization, suppliers, and customers) to develop it.
- In addition, to help the firm reach its desired future state, a vision statement should be clearly tied to the conditions

in the firm's external environment and internal organization.

- Moreover, the decisions and actions of those involved with developing the vision, especially the CEO and the other top-level managers, must be consistent with that vision.

- At McDonald's, for example, a failure to openly provide employees with what they need to quickly and effectively serve customers would be a recipe for disaster.

Mission

- The vision is the foundation for the firm's mission.

- A **mission** specifies the business or businesses in which the firm intends to compete and the customers it intends to serve. The firm's mission is more concrete than its vision.

- However, like the vision, a mission should establish a firm's individuality and should be inspiring and relevant to all stakeholders.

- Together, vision and mission provide the foundation the firm needs to choose and implement one or more strategies.

- The probability of forming an effective mission increases when employees have a strong sense of the ethical standards that will guide their behaviors as they work to help the firm reach its vision.

- Thus, business ethics are a vital part of the firm's discussions to decide what it wants to become (its vision) as well as who it intends to serve and how it desires to serve those individuals and groups (its mission).

Examples of mission statements include the following:

- **Be the best employer for our people in each community around the world and deliver operational excellence to our customers in each of our restaurants. (McDonald's)**

- **Our mission is to be recognized by our customers as the leader in applications engineering. We always focus on the activities customers desire; we are highly motivated and strive to advance our technical knowledge in the areas of material, part design and fabrication technology. (LNP, a GE Plastics Company).**

- Notice how the McDonald's mission statement flows from its vision of being the world's best quick-service restaurant. LNP's mission statement describes the business areas (material, part design, and fabrication technology) in which the firm intends to compete.

- The firm's vision and mission are critical aspects of the *strategic inputs* it requires to engage in *strategic actions* as the foundation for achieving strategic competitiveness and earning above-average returns.

Difference between Mission & Vision Statement

Mission	Vs	Vision
Refers to the means of achieving the goal		Denotes the overarching goal that the company wants to achieve in the future
Is focused on the how		Is the desciption of the why
Is to inform the employees		Is to motivate the employees
Is usually bigger than the vision		Is usually smaller
Is to be used as management tool		Not to be used for the daily operation

Purpose

- An organization's purpose is the primary and basic reason for its existence.

- Purpose and core values concepts are very important in the process of envisioning.

Examples of business purpose statements;

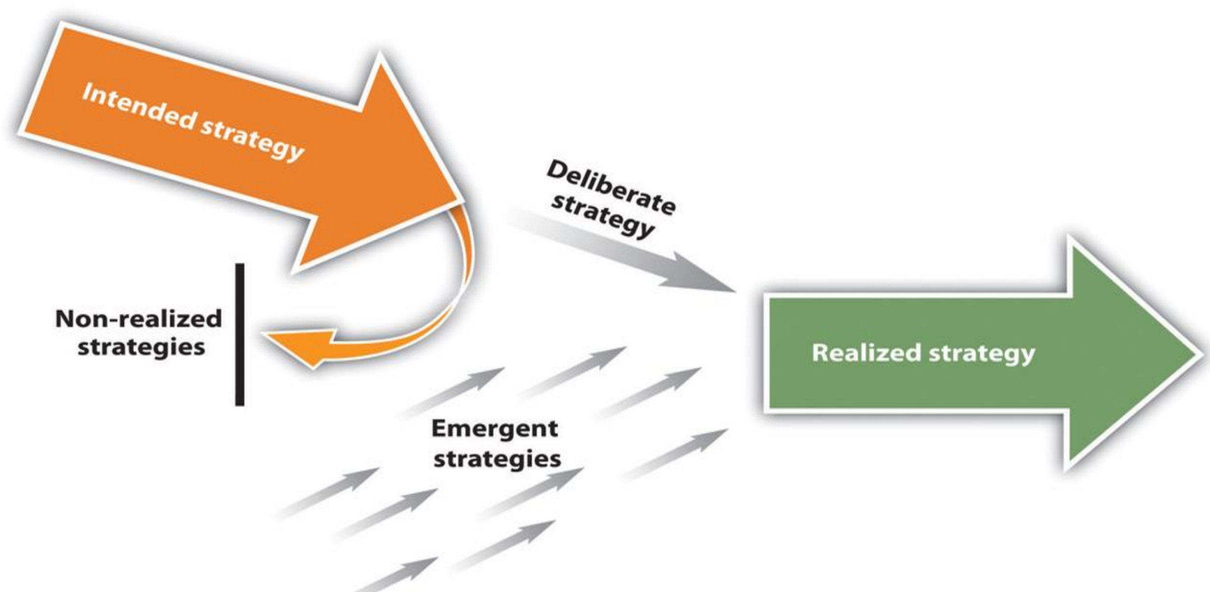
- "Our goal is to reach a large audience through effective social media marketing."

- "We strive to protect wildlife through education about endangered species."

- "Our purpose is to bring awareness to the need for medical supplies in overpopulated cities."

Emergent Strategy

- An emergent strategy is one that arises from unplanned actions and initiatives from within an organization.



- For most businesses, a deliberate strategy is the most effective means to set specific goals related to growth, expansion, and profit margin. Businesses that adhere to a deliberate strategy typically create multi-year plans to achieve their desired results.

- However, unforeseen circumstances can lead to a new strategy that diverges from a deliberate strategy. This emergent strategy was not an intended course of action, but it develops despite the original strategic plan, and may provide benefits and drawbacks for a business.

- Emergent strategy is a set of actions, or behavior, consistent over time, "a realized pattern [that] was not expressly intended" in the original planning of strategy. When a deliberate strategy is realized, the result matches the intended course of action.

- An emergent strategy develops when an organization takes a series of actions that with time turn into a consistent pattern of behavior, regardless of specific intentions. "Deliberate strategies provide the organization with a sense of purposeful direction."

Here are examples of unforeseen circumstances that can prompt emergent strategies:

1. Market changes: An unexpected change in a company's market or industry, like an unexpected increase in

demand, can lead to emergent strategies as a company works to address these changes.

2. Economic changes: Fluctuations in the economy can also prompt emergent strategies.

3. New ideas: In some situations, an emergent strategy can result from an employee suggesting a new procedure.

Business Model & Strategy

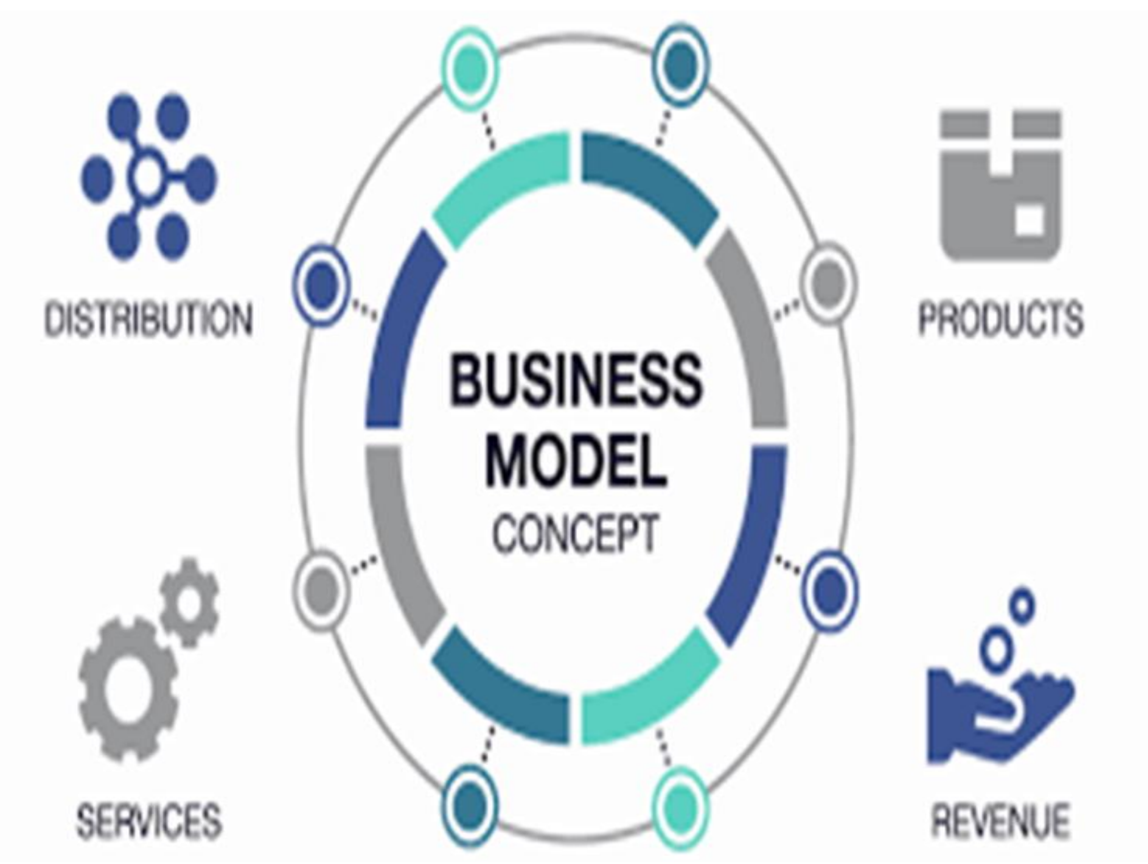
- There are number of people who frequently use the terms business model and strategy . But still the meaning of these terms is ambiguous.

- In simple terms, strategy is a plan which determines company's proposed future goals.

- While, business model is an intellectual depiction of a strategic plan applied by a company to generate revenue and earn profits.

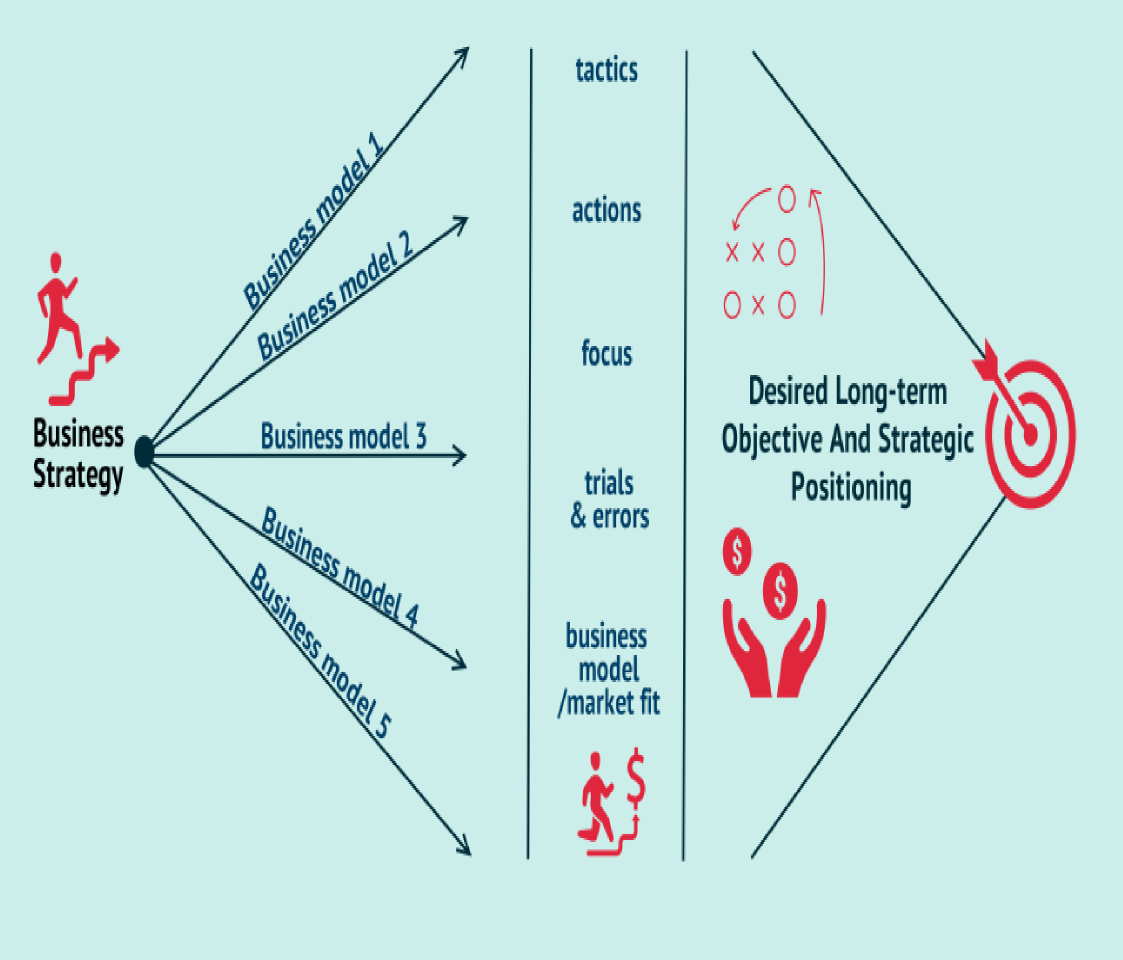
- Thus, a business model can be applicable to more than one organization and several business models can constitute to a firm's strategy.

What is Business Model?



"The term business model refers to a company's plan for making a profit. It identifies the products or services the business plans to sell, its identified target market, and any anticipated expenses. Business models are important for both new and established businesses".

Business Model vs. Business Strategy



Environmental Analysis

- An environmental analysis helps organizations identify internal and external elements that can either negatively or positively impact their business. By looking at factors, such as the economy and technology, businesses can anticipate potential opportunities and threats.

- Learning about how to conduct an environmental analysis can help you prepare an effective marketing strategy for your business.

- An environmental analysis, or environmental scanning, is a strategic tool you can use to find all internal and external elements that may affect an organization's performance.

- Internal components indicate the business's strengths and weaknesses, while the external components indicate the opportunities and threats outside the organization.

What is the purpose of an environmental analysis?

- Environmental analyses help businesses identify potential influences that may provide either an opportunity or threat for them.
- This helps them prepare for changes in their environment. Some benefits of using an environmental analysis include:

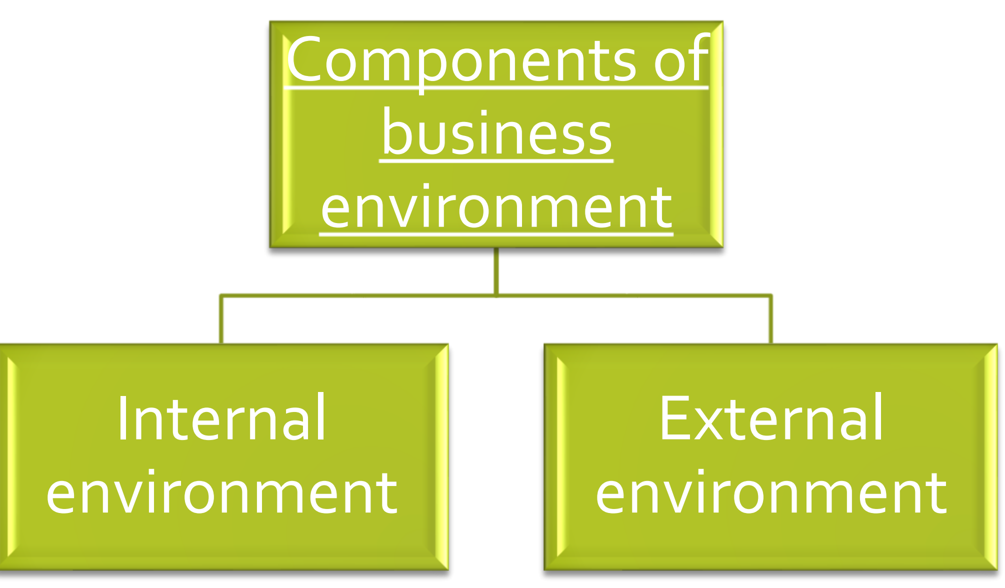
✓ Forecasting the future

✓ Identifying threats and allowing them to develop a strategy for response

✓ Helping achieve business objectives

✓ Forming effective strategies and marketing programs for a business

✓ Improving organizational performance



External and Industry Environmental Analysis using PEST and Porter's Five-Force Model

Techniques of External Environment Analysis

ETOP Analysis
(Environmental Threats and Opportunities Profile)

SWOT Analysis
(Strength Weakness Opportunity Threat)

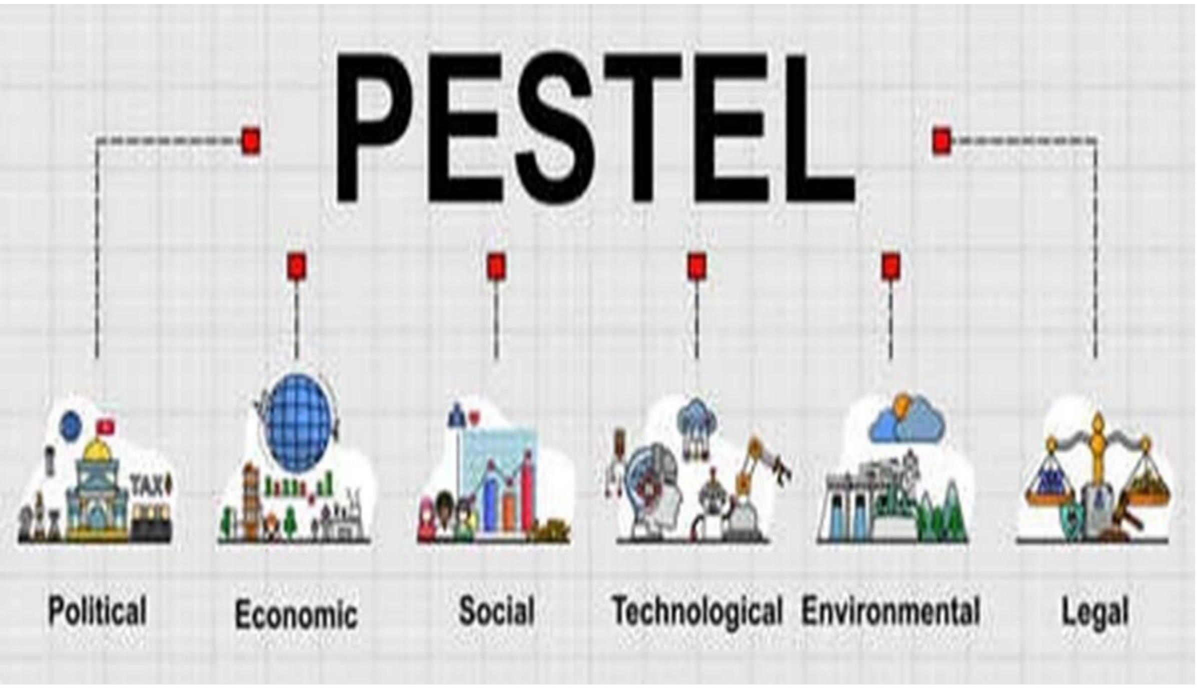
QUEST Analysis
(Quick Environmental Scanning Technique)

PESTEL Analysis
(Political, Economic, Social, Technological, Environmental, Legal)

PESTEL Analysis

- A PESTEL analysis is a strategic framework commonly used to evaluate the business environment in which a firm operates.

- Traditionally, the framework was referred to as a PEST analysis, which was an acronym for **P**olitical, **E**conomic, **S**ocial, and **T**echnological; in more recent history, the framework was extended to include **E**nvironmental and **L**egal factors as well.

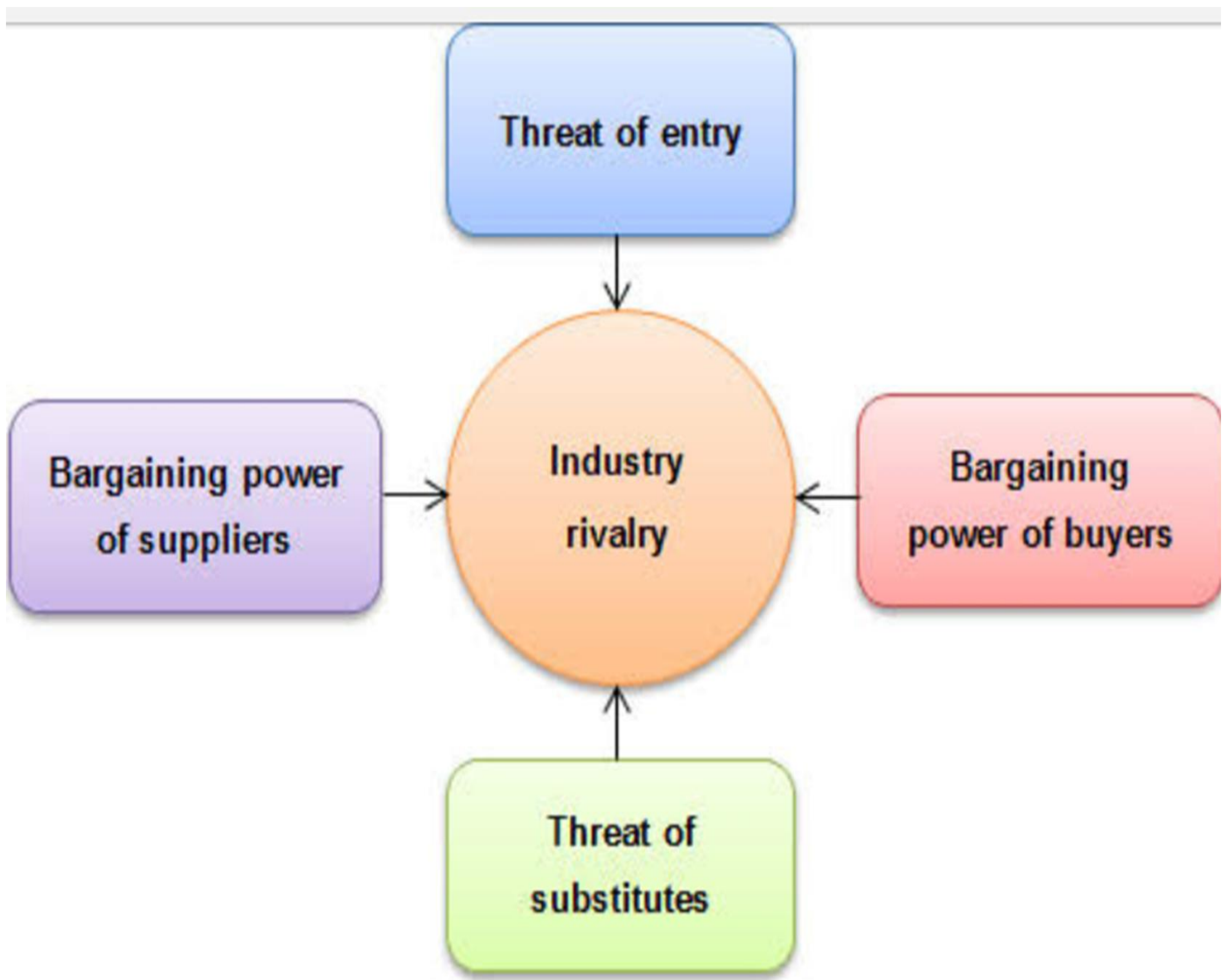


Various factors that are analyzed in PESTEL are as follows:

P	E	S	T	E	L
- Government policy - Political stability - Corruption - Foreign trade policy - Tax policy - Labour law - Trade restrictions	- Economic growth - Exchange rates - Interest rates - Inflation rates - Disposable income - Unemploy-ment rates	- Population growth rate - Age distribution - Career attitudes - Safety emphasis - Health conscious-ness - Lifestyle attitudes - Cultural barriers	- Technology incentives - Level of innovation - Automation - R&D activity - Technological change - Technological awareness	- Weather - Climate - Environmen-tal policies - Climate change - Pressures from NGO's	- Discrimina-tion laws - Antitrust laws - Employment laws - Consumer protection laws - Copyright and patent laws - Health and safety laws

Porter's Five Forces Model

- Given by Michael Eugene porter in 1979.
- It is tool for analysing competition of a business.
- It is used to determine the attractiveness of an industry in terms of profitability.



1. Threat of new entrants

• New entrants in an industry bring new capacity and the desire to gain market share.

• The seriousness of the threat depends on the barriers to enter a certain industry. The higher these barriers to entry, the smaller the threat for existing players.

• Examples of barriers to entry are the need for economies of scale, high customer loyalty for existing brands, large capital requirements (e.g., large investments in marketing or R&D), the need for cumulative experience, government policies, and limited access to distribution channels, etc.

Example;

The threat of new entrants in the airline industry can be considered as low to medium.

2. Bargaining power of suppliers

- This force analyzes how much power and control a company's supplier (also known as the market of inputs) has over the potential to raise its prices or to reduce the quality of purchased goods or services, which in turn would lower an industry's profitability potential.

- The concentration of suppliers and the availability of substitute suppliers are important factors in determining supplier power. The fewer there are, the more power they have.

- Businesses are in a better position when there are a multitude of suppliers.

- Sources of supplier power also include the switching costs of companies in the industry, the presence of available substitutes, the strength of their distribution channels and the uniqueness or level of differentiation in the product or service the supplier is delivering.

  Example;
  The bargaining power of suppliers in the airline industry can be considered very high.

3. Bargaining power of buyers

- The bargaining power of buyers is also described as the market of outputs.
- This force analyzes to what extent the customers are able to put the company under pressure, which also affects the customer's sensitivity to price changes.
- The customers have a lot of power when there aren't many of them and when the customers have many alternatives to buy from.
- The internet has allowed customers to become more informed and therefore more empowered. Customers can easily compare prices online, get information about a wide variety of products and get access to offers from other companies instantly.
- Companies can take measures to reduce buyer power by for example implementing loyalty programs or by differentiating their products and services.

Example;
Bargaining power of buyers in the airline industry is high. Customers are able to check prices of different airline companies fast through the many online price comparisons websites.

4. Threat of substitute products

- The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives.

- In order to discover these alternatives one should look beyond similar products that are branded differently by competitors.

- Instead, every product that serves a similar need for customers should be taken into account.

- Energy drink like Redbull for instance is usually not considered a competitor of coffee brands such as Nespresso or Starbucks. However, since both coffee and energy drink fulfill a similar need (i.e. staying awake/getting energy), customers might be willing to

switch from one to another if they feel that prices increase too much in either coffee or energy drinks. This will ultimately affect an industry's profitability and should therefore also be taken into account when evaluating the industry's attractiveness.

Example;

In terms of the airline industry, it can be said that the general need of its customers is traveling. It may be clear that there are many alternatives for traveling besides going by airplane.

5. Rivalry among existing competitors

- This last force of the Porter's Five Forces examines how intense the current competition is in the marketplace, which is determined by the number of existing competitors and what each competitor is capable of doing.

- Rivalry is high when there are a lot of competitors that are roughly equal in size and power, when the industry is growing slowly and when consumers can easily switch to a competitors offering for little cost.

- When rivalry is high, competitors are likely to actively engage in advertising and price wars, which can hurt a business's bottom line.

- In addition, rivalry will be more intense when barriers to exit are high, forcing companies to remain in the industry even though profit margins are declining. These barriers to exit can for example be long-term loan agreements and high fixed costs.

Example;

When looking at the airline industry in the United States, we see that the industry is extremely competitive because of a number of reasons which include the entry of low cost carriers, the tight regulation of the industry wherein safety become paramount leading to high fixed costs and high barriers to exit, and the fact that the industry is very stagnant in terms of growth at the moment.

Threat of new entrants	Bargaining power of suppliers	Bargaining power of buyers	Threat of substitute products or services	Rivalry among existing competitors
- Barriers to entry - Economies of scale - Brand loyalty - Capital requirements - Cumulative experience - Government policies - Access to distribution channels - Switching costs	- Number of suppliers - Size of suppliers - Uniqueness of each supplier's product or service - Focal company's ability to substitute - Switching costs	- Number of customers - Size of each customer order - Differences between competitors - Price sensitivity - Buyer's ability to substitute - Buyer's information availability - Switching costs	- Number of substitute products available - Buyer propensity to substitute - Relative price performance of substitute - Perceived level of product differentiation - Switching costs	- Number of competitors - Diversity of competitors - Industry concentration - Industry growth - Quality differences - Brand loyalty - Barriers to exit - Switching costs

Key Success Factor

- Key success factors are the essential attributes required for an organization to be successful in the market place.

- They can be referred to as the resources, skills, and traits that an organization needs for survival and succeeding in the market.

- Also termed as Critical Success Factor.

- KSF vary from industry to industry.

- e.g. – for dairy and processed food industry, variety and efficient distribution are the key success factors, without which the survival of the company would not be possible.

- On the other hand, for banking sector aspects like technology and prompt services are key success factor.

Common Types of Industry Key Success Factors

- Technology – related KSFs
- Manufacturing – related KSFs
- Distribution – related KSFs
- Marketing – related KSFs
- Skills and capability – related KSFs
- Other types of KSFs

Driving Forces

- The forces which are most dominant are called the dominant or driving forces.
- Driving forces help us to understand the state of the industry and also the various factors which are important for doing well in that industry.
- The operant forces in any industry are very dynamic in nature and the changes taking place in the industry are influenced by these forces.

Common Driving Forces

1. Changing industry growth rate
2. Growing buyer preferences for differentiated products instead of commodity product
3. Product innovation
4. E-commerce and internet opportunities
5. Changes in consumer and producer
6. Manufacturing process innovation and technological changes
7. Rate of industry globalization .
8. Entry or exit of major firms
9. Marketing innovation
10. Changes in cost and efficiency
11. Reduction in uncertainty and business risk
12. Regulatory influences and government policy changes
13. Technical know-how diffusion
14. Changes in societal concerns, lifestyles, and attitude

Strategic Groups

- **Strategic group** is a concept used in strategic management that groups companies within an industry that have similar business models or similar combinations of strategies.

- A simple example of a strategic group would be the **fast-food restaurant chains in the foodservice industry**. Other strategic groups in this industry include fine-dining restaurants, cafes, and family restaurants among many others.

- A strategic group consists of **those rival firms with similar competitive approaches and positions in the market**. The identification of strategic groups within an industry enables the competitive structure of the industry to be redefined to compare strategies of various competitors for similarities and differences.

- The competition between firms within a strategic group is greater than the competition between a member of a

strategic group and companies outside that strategic group.

- Therefore, intrastrategic group competition is more intense than is interstrategic group competition. In fact, more heterogeneity is evident in the performance of firms within strategic groups than across the groups.

- The performance leaders within groups are able to follow strategies similar to those of other firms in the group and yet maintain strategic distinctiveness to gain and sustain a competitive advantage.

- The extent of technological leadership, product quality, pricing policies, distribution channels, and customer service are examples of strategic dimensions that firms in a strategic group may treat similarly. Thus, membership in a particular strategic group defines the essential characteristics of the firm's strategy.

- The notion of strategic groups can be useful for analyzing an industry's competitive structure. Such analyses can be helpful in diagnosing competition, positioning, and the profitability of firms within an industry.

- High mobility barriers, high rivalry, and low resources among the firms within an industry limit the formation of strategic groups.

- However, research suggests that after strategic groups are formed, their membership remains relatively stable over time, making analysis easier and more useful.

Types of Strategic Groups

1. Defenders

- Defenders are those firms that have limited resources and few product lines.
- Due to limited availability of resources, they are less capable of innovating new products.
- They spend most of their times in defending their businesses against the competitors, society, and government, instead of developing a competitive edge.

2. Prospectors

- Prospectors are those firms that try to identify the weakness in the competitor's business strategy and attack aggressively by adopting an offensive business strategy.
- Such type of organization usually devote most of their resources in innovating new products and capturing potential market opportunities.

3. Analyzers

- Such types of organizations generally have operations in two different areas out of which one is stable and the other is dynamic.
- Hence, they focus more on efficiency in the stable market to derive maximum profitability.
- They further focus on innovation in dynamic market in order to attain or maintain top market position by way of introducing latest products/services.

4. Reactors

- Such types of organizations don't have a uniform and stable strategy; instead they follow a strategy of guerilla warfare as because of having limited resources they are not capable of matching or outdoing the giant competitors.

Significance of strategic groups

1. Points-out mobility barriers
2. Identifying groups with low competitive advantage
3. Represents future direction
4. Analyzing industry trends

MCQs

Sr.No	Questions	Answers
1	A business plans to cut jobs to reduce costs. Conflict is likely to occur between which two of the following stakeholders' groups regarding the decision?	Owners and employees
2	Trade-off decisions are made in ....?	each stakeholder
3	stakeholders are affected equally by ?	strategic decisions
4	Satisfied stakeholders may behave in which of the following ways?	Demonstrate loyalty to the organisation

5	What should organisations seek to do with stakeholders who have high interest and high power?	Invest maximum efforts
6	External stakeholders of a company exercise their power via which of the following?	Payment of tax
7	Dormant stakeholders possess which of the following attributes?	Power
8	Discretionary stakeholders possess which of the following attributes?	Legitimacy
9	Dangerous stakeholders possess which of the following attributes?	Power& urgency
10	Dependent stakeholders possess which of the following attributes?	Legitimacy &urgency
11	Symbols in organisations can include which of the followings?	Private health insurance.Salary. Jobtitle Company car
12	Re-freezing is the positive reinforcement and support for the implemented changes. True or false	True

14	What is the Establishment of I/O models ?	1960 to 1980
15	The I/O model has how many underlying assumptions.	Four
16	I/O Model stands for	Industrial organization
17	The organizatio's environment consist of how many components?	Three
18	The above average returns are	Profit excess of what an investor expect to earn from other investment with a similar level of risk.
19	Internal analysis enables a firm to determine what the firm	Can do
20	An external analysis enable a firm to determine what the firm	Might do
21	Five forces Model to identify the industry as measured by it's.....?	Attractive; profitability
22	Firms mission....	In which it tends to compete and the customer it intend
23	Long term objectives are needed at the which organization?	Corporate,divisional and functional level
24	Which strategy is designed to fortify an organization's basic distinctive competence	Retrenchment

25	Which is selling a division of an organization	Divestiture
26	Business level strategies are concerned specifically with	Creating difference between the firm's position and its rival's
27	Assumption of the resource-based Model EXCEPT	Capabilities are highly mobile across firms
28	Which factor would be considered a key to organizational success?	Skilled employees
29	The resource-based Model of the firm argues that	Valuable,rare,costly to immitate and non-substitutable
30	Goal of the organization is to capture the heart's and make minds of employees, challenge them, and evoke their emotions and dreams	Vision
31	A firm's mission tends to….	Compete and the customer which it intends to serve
32	Product differentiation refers to the	Belief by customer that a product is unique
33	Which is NOT an entry barrier to an industry	Bargaining power of supplier

34	A sustained or sustainable competitive advantage requires that:	other companies not be able to duplicate the
35	Investors in a company judge the adequacy of the returns on their investment in relation to:	the returns on other investments of similar risk..
36	In contrast to the industrial organization model, in a resource-based model, which of the following factors would be considered a key to organizational success?	Loyal employees
37	Which of the following is an opportunity for an entrepreneur who wishes to open a business doing therapeutic massage in his small community?	a chiropractor and two independent physical therapists located in his community
38	Which of the following is a true statement about capabilities?	Capabilities emerge over time through complex interactions of tangible and intangible
39	A major department store chain has a strict policy of banning photographs of its sales floor or back room	Imitable

40	An integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage in a specific product market is a definition of:	Business strategy
41	Firms operating in the same market, offering similar products and targeting similar customers are competitors	True
42	Intensified rivalry within an industry results in decreased average profitability for the firms within it	True
43	Extensive market commonality guarantees intense competition in an industry	False
44	Two firms that have similar resources, but do not share markets would not be direct and mutually acknowledged competitors.	True
45	Wal-Mart has recently moved to Alsatia, Missouri. Several local small retailers have decided that choosing not to respond to Wal-Mart's competitive actions is a viable long- term option, because although the companies have high market commonality they have little resource similarity. These small retailers are correct in their decision	False

46	In which of the four perspectives of a balanced scorecard is the objective 'reduce staff turnover' mostly likely to be?	Learning and growth
47	What is a lagging performance indicator?	An indicator that highlights past performance
48	What is 'strategy mapping' in the balanced scorecard?	Identifying causal links between the four perspectives
49	Which costing systems can often be used to calculate product profitability?	Absorption and activity-based costing
50	Which costing system is often used to calculate customer profitability?	Activity based costing
51	If a business reports on the number of products not made to a sufficiently high quality, what kind of measure is this?	Quantitative measures
52	Which of the following are the principles in the Code of Ethics set out by the International Federations of Accountants.	Integrity, objectivity, professional competence, confidentiality and professional behaviour.
53	Purpose of strategic intent	Organization endeavor
54	Mission and vision fails to what ?	create value for the

55	Large inventories can be the best classified as	Potential weaknesses
56	Low cost foreign competition, classified as	Potential threat
57	What our business is' is stated in	Mission statement
58	The external and internal audit of a company includes	economic trends political trends competitive
59	Diversification' can be best classified as	Potential opportunity
60	The 'piecework' pay plan is often called	Individual pay plan
61	The factor which influence 'bonuses' are	eligibility fund size individual performan
62	The validity test that focused on comparing test scores of already existing employees to a measure of their job performance, is	Concurrent validity
63	Adding 'incentives' to the job is included in	Extrinsic motivation
64	Large inventories can be the best classified as	Potential weaknesses
65	In the talent management end to end process, the workforce	Performance

66	Assistance to top level management for strategic plans is provided by	Corporate HR group
67	A marketing concept, holding a society's long-term interest, belongs to	Societal oriantation
68	Anchoring jobs and slotting the other jobs accordingly is called	Benchmarking job
69	All incentive plans focused on	Performance
70	The reward of performance must have some value for the employee, an example of	Valence
71	Professional competence and consistency is exhibited by	Effective mantors
72	The steps involves in employer's movement for performance management is	total quality appraisa l issues strategic planning
73	Each unit made by a worker to be paid is considered as	Performance based pay
74	In traditional focus, the rewards based on the production is the part of	Compantation and benefits
75	The relationship between value of job and average salary paid for the job is called	wage curve

MODULE – 2

Internal Analysis

- An internal analysis is the thorough examination of a company's internal components, both tangible and intangible, such as resources, assets and processes. An internal analysis helps the company decision-makers accurately identify areas for growth or revision to form a practical business strategy or business plan.

- Although, internal analysis is generally used for studying the current situation of the firm, it can also be conducted to determine the future threats and opportunities that may have an effect on the internal environment of the organization.

- Hence, it can be said the internal analysis is a continuous exercise which is profitable for the organization in the long run.

Techniques used for Internal Analysis;

1. Value Chain Analysis

- The process which enables the organization to recognize its major as well as supporting activities responsible for making the final product more valuable and helps in the analysis of these activities for the purpose of lowering expense or enhancing differentiation.

2. Quantitative Analysis

- One of the most widely accepted method for the purpose of assessment of the performance of firm based upon the numbers.
- Financial figures are the numbers which are usually used for the evaluation of performance and for assessing strengths and weaknesses.

3. Qualitative Analysis

- used in businesses in order to analyze an organization's overall value based on non-quantifiable indicators.
- The non-quantifiable indicators can be information on items within an organization, such as their industry cycle, management expertise, strength of business functions, labor relations, or even their visibility within media.

4. Benchmarking

- Method which involves recognizing the best practices in terms of the products as well as procedures which are responsible for the creation and delivery of products.
- The purpose is to understand and evaluate the present status of a business or an organization with respect to best practices.

5. Balance Scorecard

- Technique of performance evaluation that provides feedback on both internal business processes and external outcomes to continuously improve strategic performance and results.

6. Mckinsey's 7s framework

- Identifies seven elements that help organizations to achieve goals and implement change.

Value Chain Analysis

- Originated in the 1980s by Michael Porter.
- Value chain analysis is a way to visually analyze a company's business activities to see how the company can create a competitive advantage for itself.
- Value chain analysis helps a company understands how it adds value to something and subsequently how it can sell its product or service for more than the cost of adding the value, thereby generating a profit margin.
- In other words, if they are run efficiently the value obtained should exceed the costs of running them i.e. customers should return to the organization and transact freely and willingly.

Value and Value Chain

- **Value** is the total amount (i.e. total revenue) that **buyers are willing to pay** for a firm's product. The difference between the total value and the total cost performing all of the firm's activities provides the **margin**.
- Margin implies that organizations realize a profit margin that depends on their ability to manage the linkages between all activities in the value chain. In other words,

the organization is able to deliver a product / service for which the customer is willing to pay more than the sum of the costs of all activities in the value chain.

- A value chain concentrates on the activities starting with raw materials till the conversion into final goods or services.

- The sources of the competitive advantage of a firm can be seen from its discrete activities and how they interact with one another. The ultimate goals in performing value chain analysis are to maximize value creation while also monitoring and minimizing costs.

Porter's Value Chain Analysis model

- He suggested that an organization is split into 'primary activities' and 'support activities'.

SECONDARY ACTIVITIES

INFRASTRUCTURE
Company overhead and management, including financing and planning

HUMAN RESOURCES MANAGEMENT
Recruitment, hiring, training, development, retention, and compensation of employees

TECHNOLOGICAL DEVELOPMENT
Research and development, including product design, market research, and process development

PROCUREMENT
The sourcing of raw materials, components, equipment, and services

INBOUND LOGISTICS
Receiving, warehousing, and inventory management

OPERATIONS
Processes involved in turning raw materials and components into finished products

OUTBOUND LOGISTICS
Distribution, including packaging, sorting, and shipping

MARKETING & SALES
Promotion, advertising, and pricing strategy

AFTER-SALES SERVICES
Installation, training, quality assurance, repair, and customer service

MARGIN

PRIMARY ACTIVITIES

1. **Primary Activities**

- Primary activities are directly concerned with creating and delivering a product.
- They can be grouped into five main areas: inbound logistics, operations, outbound logistics, marketing and sales, and service.
- Each of these primary activities is linked to support activities which help to improve their effectiveness or efficiency

According to Porter (1985), the primary activities includes

- **Inbound logistics**

  Refers to goods being obtained from the organization's suppliers and to be used for producing the end product.

- **Operations**

  Raw materials and goods are manufactured into the final product. Value is added to the product at this stage as it moves through the production line.

- **Outbound logistics**

  Once the products have been manufactured they are ready to be distributed to distribution centers, wholesalers, retailers or customers. Distribution of finished goods is known as outbound logistics.

- **Marketing and Sales**

  Marketing must make sure that the product is targeted towards the correct customer group. The marketing mix is used to establish an effective strategy, any competitive advantage is clearly communicated to the target group through the promotional mix.

- **Services**

  After the product/service has been sold what support services does the organization offer customers? This may come in the form of after sales training, guarantees and warranties.

  With the above activities, any or a combination of them are essential if the firm are to develop the "competitive advantage “.

2. Support Activities

- Support activities assist the primary activities in helping the organization achieve its competitive advantage.
- There are four main areas of support activities: procurement, technology development (including R&D), human resource management, and infrastructure (systems for planning, finance, quality, information management etc.).

According to Porter (1985), the support activities includes

- **Firm infrastructure**
  Every organizations needs to ensure that their finances, legal structure and management structure work efficiently and helps drive the organization forward. Inefficient infrastructures waste resources, could affect the firm's reputation and even leave it open to fines and sanctions.
- **Human resource management**
  The organization will have to recruit, train and develop the correct people for the organization to be successful. Staff will have to be motivated and paid the 'market rate'

if they are to stay with the organization and add value. Within the service sector such as the airline industry, employees are the competitive advantage as customers are purchasing a service, which is provided by employees; there isn't a product for the customer to take away with them.

- **Technology development**
  The use of technology to obtain a competitive advantage is very important in today's technological driven environment. Technology can be used in many ways including production to reduce cost thus add value, research and development to develop new products and the internet so customers have 24/7 access to the firm.

- **Procurement**
  This department must source raw materials for the business and obtain the best price for doing so. The challenge for procurement is to obtain the best possible quality available (on the market) for their budget.

Link between Primary and Support Activities

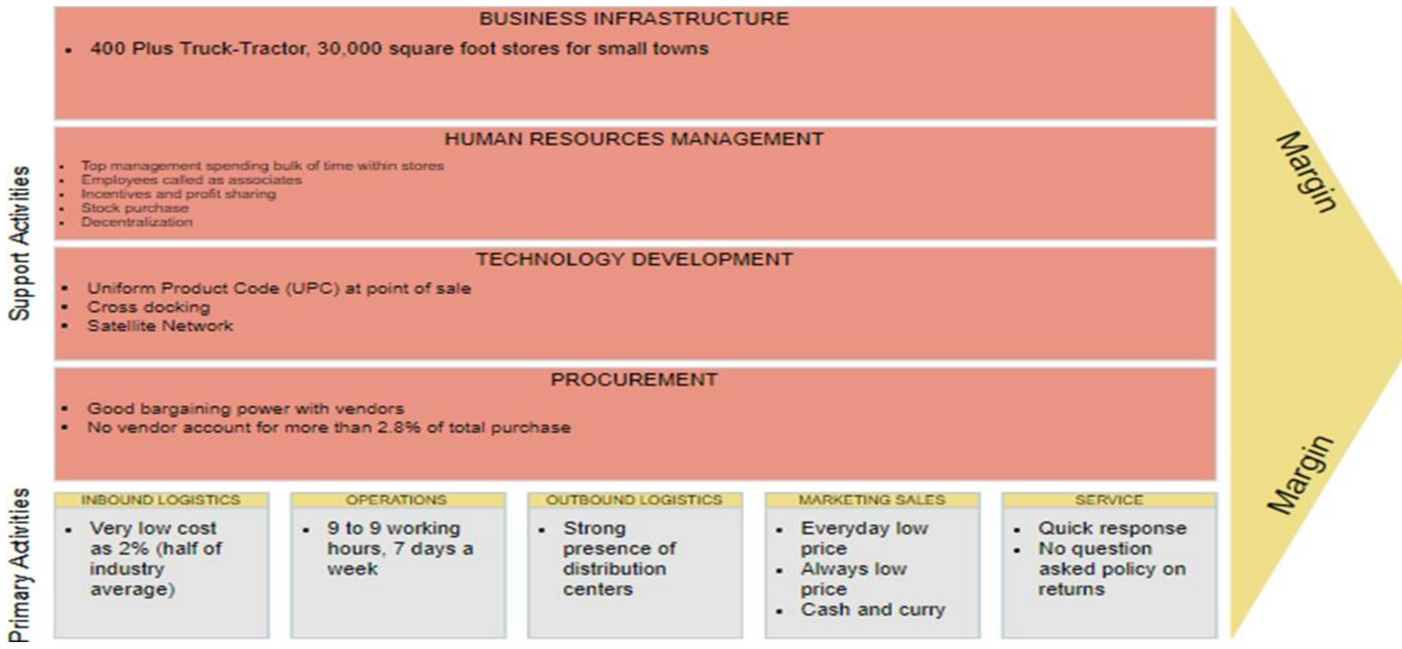
- As mentioned before, **primary activities** add value directly to the production process, but they are not necessarily more important than support activities.

- Nowadays, competitive advantage mainly derives from technological **improvements** or **innovations** in business models or processes. Therefore, such **support activities** as 'information systems', 'R&D' or 'general management' are usually the most important source of **differentiation advantage**.

- On the other hand, **primary activities** are usually the source of **cost advantage**, where costs can be easily identified for each activity and properly managed.

Value Chain Diagram Example - SuperStore Super Market

- Value chain analysis is based on the principle that organisations exist to create value for their customers.
- In the analysis, the organisation's activities are divided into separate sets of activities that add value. The organisation can more effectively evaluate its internal capabilities by identifying and examining each of these activities. Each value adding activity is considered to be a source of competitive advantage.



SWOT Analysis

What Is SWOT Analysis?

- SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.
-

- A SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organization, its initiatives, or an industry.

- The organization needs to keep the analysis accurate by avoiding pre-conceived beliefs or gray areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.

Reasons to do SWOT for Strategy Implementation:

- SWOT analysis is a strategic planning technique that provides assessment tools.
- Identifying core strengths, weaknesses, opportunities, and threats lead to fact-based analysis, fresh perspectives and new ideas.
- SWOT analysis works best when diverse groups or voices within an organization are free to provide realistic data points rather than prescribed messaging.

1. Strengths

- Strengths may be any number of areas or characteristics where a company excels and has a competitive advantage over its peers.

- Advantages may be more qualitative in nature and therefore difficult to measure (like a great corporate culture, strong brand recognition, proprietary technology, etc.), or they may be more quantitative (like best-in-class margins, above-average inventory turnover, category-leading return on equity, etc.).

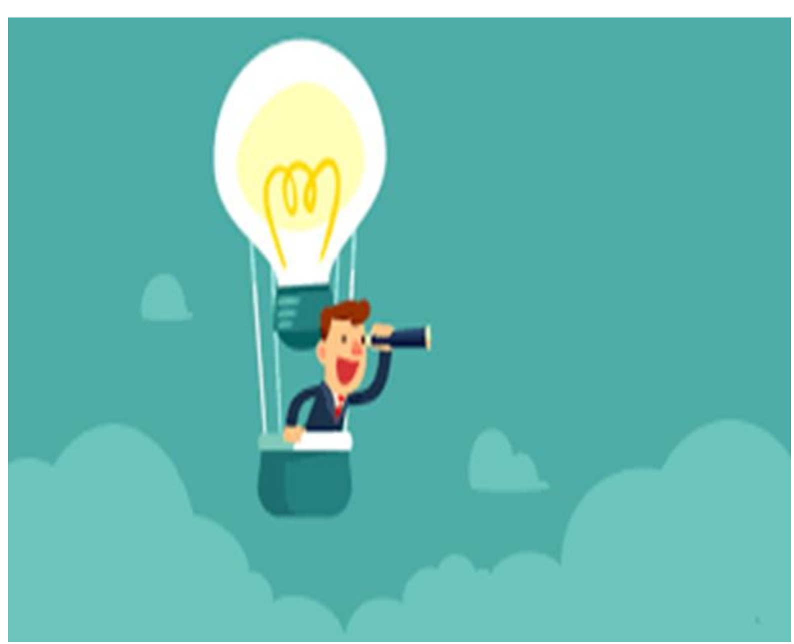
2. Weaknesses

- Weaknesses are areas or characteristics where a business is at a competitive disadvantage relative to its peers.
- Like strengths, these can also be more qualitative or quantitative.
- Examples include inexperienced management, high employee turnover, low (or declining) margins, and high (or excessive) use of debt as a funding source.

3. Opportunities

- The “Opportunities” section should highlight external factors that represent potential growth or improvement areas for a business.

- Consider opportunities like a growing total addressable market (TAM), technological advancements that might help improve efficiency, or changes in social norms that are creating new markets or new sub-segments of existing markets.



4. Threats

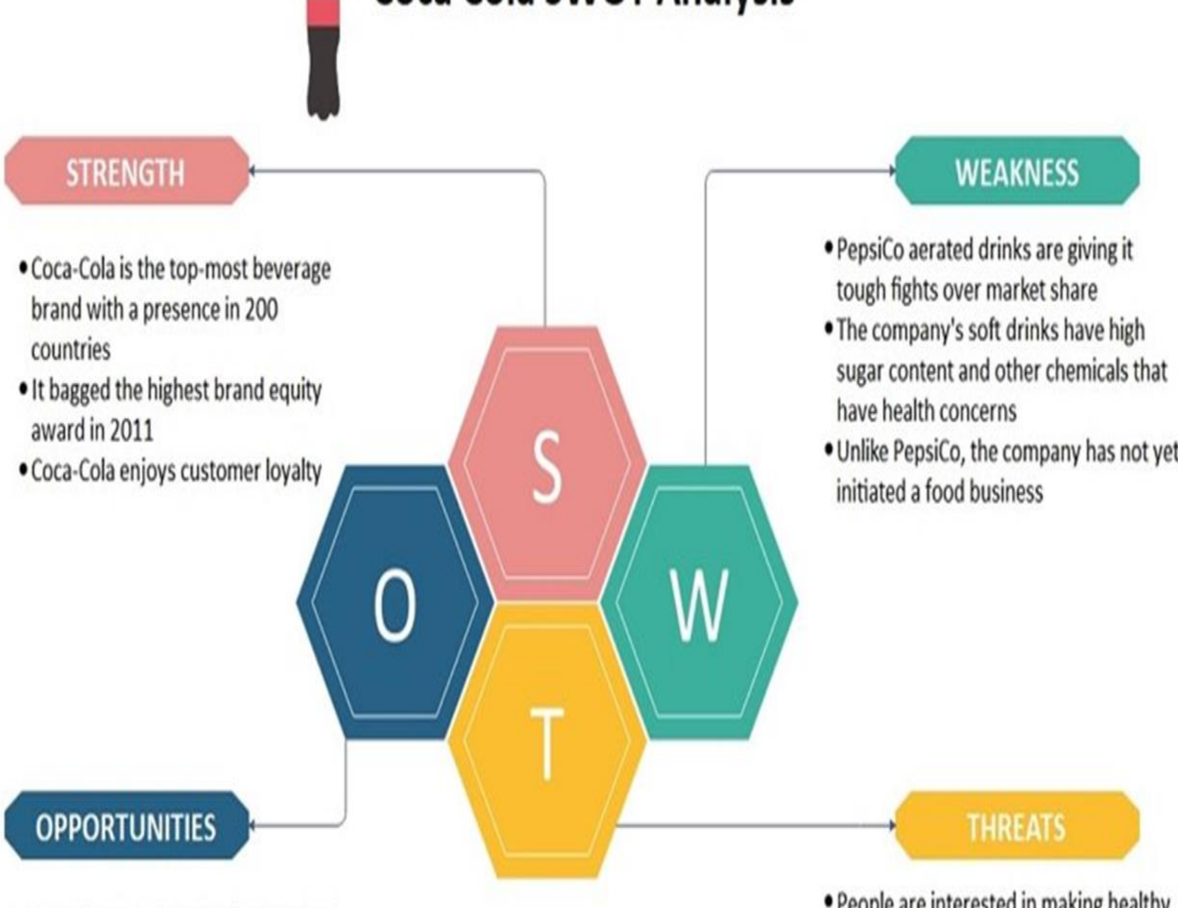
- Threats are external forces that represent risks to a business and its ability to operate.
- The categories tend to be similar to the "Opportunities" section, but directionally opposite.
- Consider examples like an industry in decline (which is the same as a decreasing TAM), technological innovation that could disrupt the existing business and its operations, or evolving social norms that make existing product offerings less attractive to a growing number of consumers.

Advantages of SWOT Analysis

- A SWOT analysis is a great way to guide business-strategy meetings. It's powerful to have everyone in the room to discuss the company's core strengths and weaknesses and then move from there to define the opportunities and threats, and finally to brainstorming ideas. Oftentimes, the SWOT analysis you envision before the session changes throughout to reflect factors you were unaware of and would never have captured if not for the group's input.

- A company can use a SWOT for overall business strategy sessions or for a specific segment such as marketing, production or sales. This way, you can see how the overall strategy developed from the SWOT analysis will filter down to the segments below before committing to it. You can also work in reverse with a segment-specific SWOT analysis that feeds into an overall SWOT analysis.

Example of SWOT Analysis



Components of Internal Analysis Leading to Competitive Advantage and Strategic Competitiveness

Resources
- Tangible
- Intangible

Capabilities

Core Competencies

Discovering Core Competencies

Four Criteria of Sustainable Advantages
- Valuable
- Rare
- Costly to Imitate
- Nonsubstitutable

Value Chain Analysis
- Outsource

Competitive Advantage

Strategic Competi-tiveness

- Resources, capabilities, and core competencies are the foundation of competitive advantage.
- Resources are bundled to create organizational capabilities.
- In turn, capabilities are the source of a firm's core competencies, which are the basis of competitive advantages and depicts these relationships.
- Resources are a business's assets, capabilities are the ability to exploit its resources, and competency is a cross-functional integration and coordination of capabilities.

Resources

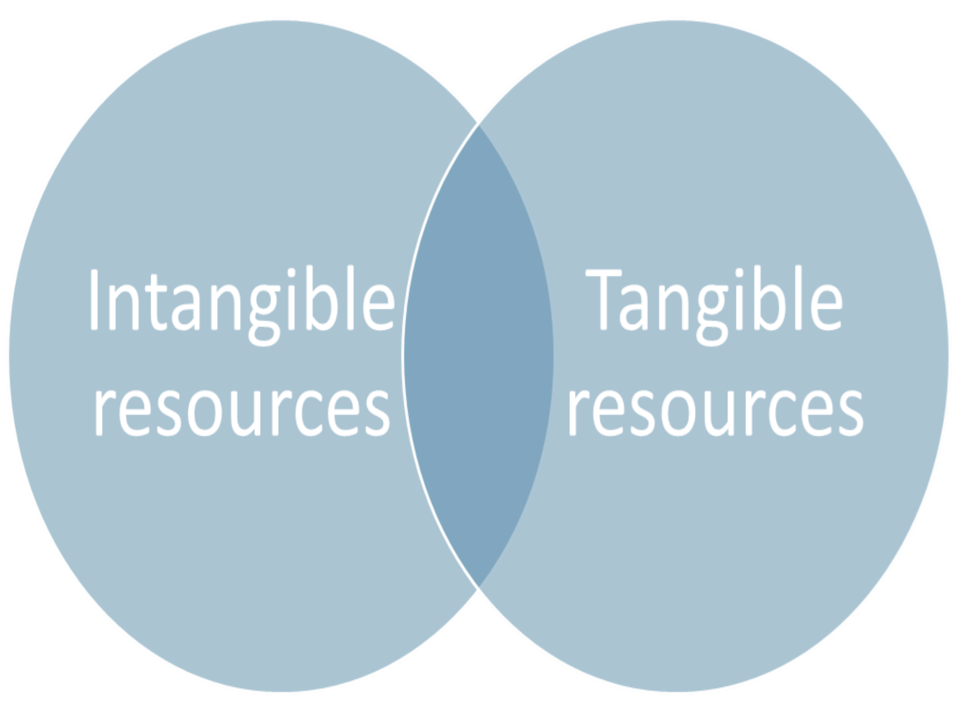
- Resources can be anything that can be utilized to obtain something valuable.
- These resources can be anything ranging from assets owned by the organization to skills, knowledge, competencies, etc.
- Resources if utilized optimally, provide a competitive edge to the organization and its operations, but if not properly utilized, these resources may act as weakness also.

Typically, resources alone do not yield a competitive advantage. In fact, a competitive advantage is generally based on the unique bundling of several resources.

- For example, Amazon.com combined service and distribution resources to develop its competitive advantages.
-

- The firm started as an online bookseller, directly shipping orders to customers.
- It quickly grew large and established a distribution network through which it could ship “millions of different items to millions of different customers.
- Lacking Amazon’s combination of resources, traditional bricks-and-mortar companies, such as Borders, found it difficult to establish an effective online presence.
- These difficulties led some of them to develop partnerships with Amazon.

There are mainly two types of resources



1. Tangible resources

- Tangible resources are assets that can be observed and quantified. Production equipment, manufacturing facilities, distribution centers, and formal reporting structures are examples of tangible resources.

- The value of tangible resources is also constrained because they are hard to leverage—it is difficult to derive additional business or value from a tangible resource.

- For example, an airplane is a tangible resource, but “You can’t use the same airplane on five different routes at the same time. You can’t put the same crew on five different routes at the same time. And the same goes for the financial investment you’ve made in the airplane.”

- The four types of tangible resources are financial, organizational, physical, and technological.

Financial Resources	• The firm's borrowing capacity • The firm's ability to generate internal funds
Organizational Resources	• The firm's formal reporting structure and its formal planning, controlling, and coordinating systems
Physical Resources	• Sophistication and location of a firm's plant and equipment • Access to raw materials
Technological Resources	• Stock of technology, such as patents, trademarks, copyrights, and trade secrets

2. Intangible resources

- Intangible resources are assets that are rooted deeply in the firm's history and have accumulated over time.

- Because they are embedded in unique patterns of routines, intangible resources are relatively difficult for competitors to analyze and imitate.

- Knowledge, trust between managers and employees, managerial capabilities, organizational routines (the unique ways people work together), scientific capabilities, the capacity for innovation, brand name, and the firm's reputation for its goods or services and how it interacts with people (such as employees, customers, and suppliers) are intangible resources.

- The three types of intangible resources are human, innovation, and reputational.

Human Resources	• Knowledge • Trust • Managerial capabilities • Organizational routines
Innovation Resources	• Ideas • Scientific capabilities • Capacity to innovate
Reputational Resources	• Reputation with customers • Brand name • Perceptions of product quality, durability, and reliability • Reputation with suppliers • For efficient, effective, supportive, and mutually beneficial interactions and relationships

Capabilities

- Capabilities can be defined as the ability and capacity to utilize the organizational resources in an efficient manner.
- These tasks range from human resource selection to product marketing and research and development activities.
- Critical to the building of competitive advantages, capabilities are often based on developing, carrying, and exchanging information and knowledge through the firm's human capital.
- Client-specific capabilities often develop from repeated interactions with clients and the learning about their needs that occurs. As a result, capabilities often evolve and develop over time.
- Building important capabilities is critical to achieving high firm performance.
- Capabilities are often developed in specific functional areas (such as manufacturing, R&D, and marketing) or in a part of a functional area (e.g., advertising) a grouping of organizational functions and the capabilities that some companies are thought to possess in terms of all or parts of those functions.

Examples of Firms' Capabilities

Functional Areas	Capabilities	Examples of Firms
Distribution	Effective use of logistics management techniques	Wal-Mart
Human Resources	Motivating, empowering, and retaining employees	Microsoft
Management Information Systems	Effective and efficient control of inventories through point-of-purchase data collection methods	Wal-Mart
Marketing	Effective promotion of brand-name products Effective customer service Innovative merchandising	Procter & Gamble Polo Ralph Lauren Corp. McKinsey & Co. Nordstrom Inc. Norrell Corporation Crate & Barrel
Management	Ability to envision the future of clothing Effective organizational structure	Hugo Boss PepsiCo
Manufacturing	Design and production skills yielding reliable products Product and design quality Miniaturization of components and products	Komatsu Witt Gas Technology Sony
Research & Development	Innovative technology Development of sophisticated elevator control solutions Rapid transformation of technology into new products and processes Digital technology	Caterpillar Otis Elevator Co. Chaparral Steel Thomson Consumer Electronics

Dynamic Capabilities

- Dynamic Capabilities are **the firm's ability to integrate, build, and reconfigure internal and external resources/competences to address and shape rapidly changing business environments**.

- These abilities can be formal like a uniform system of developing new products or agreements regarding capital expenses.

- It can also include strategic decisions such as acquiring or collaborating with the firms and learning new skills

- These steps can be informal like ways to ensure quick decision making when situation demands.

- Therefore, it can be said that dynamic capabilities can take various forms – visible or invisible, formal or informal, etc.

Types of Dynamic Capability

- **Three types of managerial activities can make a capability dynamic:**

1. Sensing (which means identifying and assessing opportunities outside your company),
2. Seizing (mobilizing your resources to capture value from those opportunities), and
3. Transforming (continuous renewal).

Building Dynamic Capabilities

1. Identify the importance of intuitive power of the team members.
2. Welcoming the diverse views and ideas even when these are contradictory in nature.
3. Considering experimentation as a standard rule and even as component in the process of learning,

Competencies

- The capability of utilizing the resources in a harmonized way for attaining definite objectives is known as competence.

- Competency is a firm's ability to perform an activity in a better way.

- Competencies are developed by firms over time, with practice and learning new experiences.

- It is important to note here that the better performance of the firm cannot be attributed mainly to the assets, as anyone can copy or buy them. But, the real secret lies in the way the resources are organized in order to create business competence.

Core Competencies

- Core competencies are capabilities that serve as a source of competitive advantage for a firm over its rivals.

- Core competencies distinguish a company competitively and reflect its personality.

- Core competencies emerge over time through an organizational process of accumulating and learning how to deploy different resources and capabilities.

- As the capacity to take action, core competencies are "crown jewels of a company," the activities the company performs especially well compared with competitors and through which the firm adds unique value to its goods or services over a long period of time.

Building Core Competencies

1. Four specific criteria of sustainable competitive advantage
2. Value chain analysis

Sustainable Competitive Advantage

- Sustainable competitive advantage is the key to business success.
- It is the force that enables a business to have greater focus, more sales, better profit margins, and higher customer and staff retention than competitors.

Four Criteria of Sustainable Competitive Advantage

Valuable

Rare

Sustainable Competitive Advantage

Inimitable

Non-substitutable

➢

- As shown in Table, capabilities that are valuable, rare, costly to imitate, and non substitutable are core competencies.

- Capabilities failing to satisfy the four criteria of sustainable competitive advantage are not core competencies, meaning that although every core competence is a capability, not every capability is a core competence.

- In slightly different words, for a capability to be a core competence, it must be valuable and unique from a customer's point of view. For a competitive advantage to be sustainable, the core competence must be inimitable and non substitutable by competitors.

Valuable Capabilities	• Help a firm neutralize threats or exploit opportunities
Rare Capabilities	• Are not possessed by many others
Costly-to-Imitate Capabilities	• Historical: A unique and a valuable organizational culture or brand name • Ambiguous cause: The causes and uses of a competence are unclear • Social complexity: Interpersonal relationships, trust, and friendship among managers, suppliers, and customers
Nonsubstitutable Capabilities	• No strategic equivalent

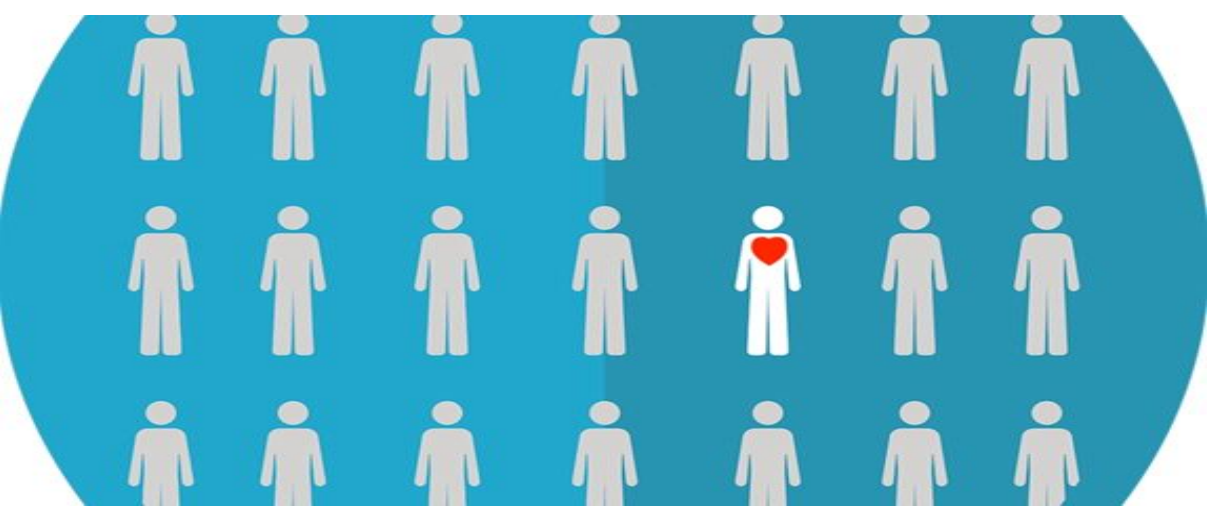
1. Valuable

- **Valuable capabilities** allow the firm to exploit opportunities or neutralize threats in its external environment.
- By effectively using capabilities to exploit opportunities, a firm creates value for customers.

2. Rare

- Rare capabilities are capabilities that few competitors possess.

- A key question to be answered when evaluating this criterion is, "How many rival firms possess these valuable capabilities?"
- Capabilities possessed by many rivals are unlikely to be sources of competitive advantage for anyone of them.
- Competitive advantage results only when firms develop and exploit valuable capabilities that differ from those shared with competitors.



3.Costly to Imitate

- Costly-to-imitate capabilities are capabilities that other firms cannot easily develop.
- Capabilities that are costly to imitate are created because of one reason or a combination of three reasons.
- First, a firm sometimes is able to develop capabilities because of *unique historical conditions*. As firms evolve, they often acquire or develop capabilities that are unique to them.

4.Non substitutable

- Non substitutable capabilities are capabilities that do not have strategic equivalents.
- 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.
- Two valuable firm resources (or two bundles of firm resources) are strategically equivalent when they each can be separately exploited to implement the same strategies."
- In general, the strategic value of capabilities increases as they become more difficult to substitute.

Outcomes from Combinations of the Criteria for Sustainable Competitive Advantage

Is the Resource or Capability Valuable?	Is the Resource or Capability Rare?	Is the Resource or Capability Costly to Imitate?	Is the Resource or Capability Nonsubstitutable?	Competitive Consequences	Performance Implications
No	No	No	No	Competitive disadvantage	Below-average returns
Yes	No	No	Yes/no	Competitive parity	Average returns
Yes	Yes	No	Yes/no	Temporary competitive advantage	Average returns to above-average returns
Yes	Yes	Yes	Yes/no	Sustainable competitive advantage	Above-average returns

Competitive Advantage

- When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage.

- Michael Porter identified two basic types of competitive advantage:

1. Cost advantage
2. Differentiation advantage

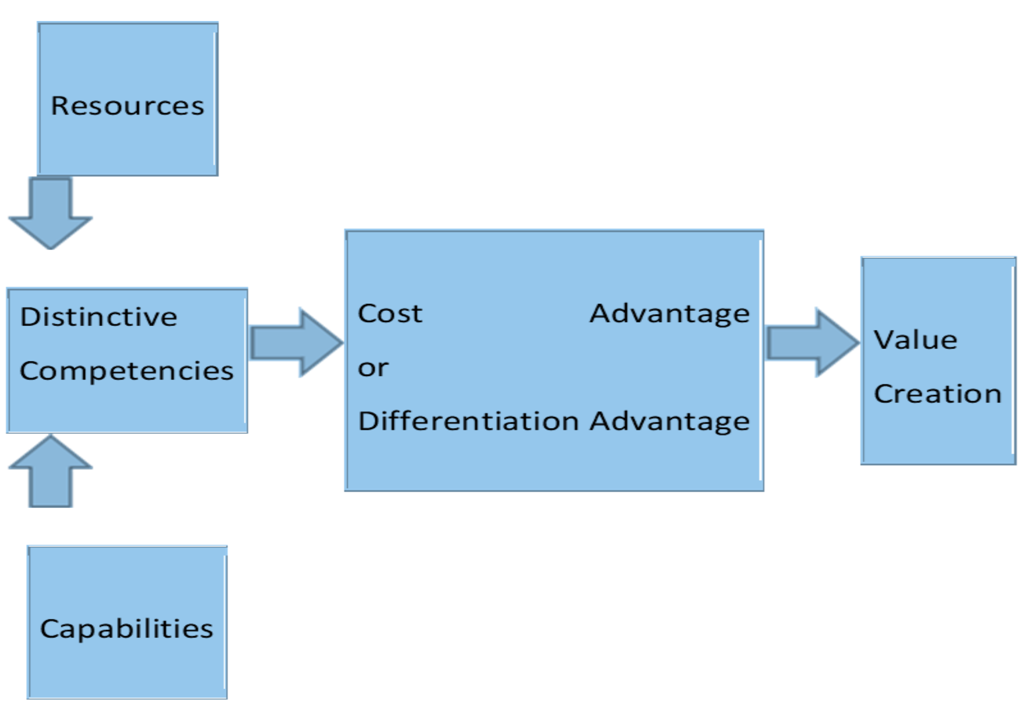
- A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage).

- Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself.

- Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation.

A Model of Competitive Advantage

- A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.
- The following diagram combines the resource-based and positioning views to illustrate the concept of competitive advantage:



3 Levels of Strategy

Organisation as a whole

Acquisitions, disposals, entering/ leaving industries

Corporate Strategy

Compete successfully in individual markets

Competitive advantage, meet needs of key customers

Business Strategy

Day-to-day

Functional Strategy

HR, Marketing, IT/IS, Operations strategy

Strategy Formulation at Business Levels

- A business-level strategy is an integrated and coordinated set of commitments and actions the fi rm uses to gain a competitive advantage by exploiting core competencies in specific product markets.

- The business level strategy formulation is based upon the generic strategies of overall cost leadership, differentiation, and focus.

- For example, your firm may choose overall cost leadership as a strategy to be pursued in its steel business, differentiation in its tea business, and focus in its automobile business.

- The business level strategies are formulated to satisfy the needs of the customers of different segments and also provide value to them.

- Also known as business strategies or Strategic Business Unit (SBU) level strategies.

The Purpose of a Business-Level Strategy

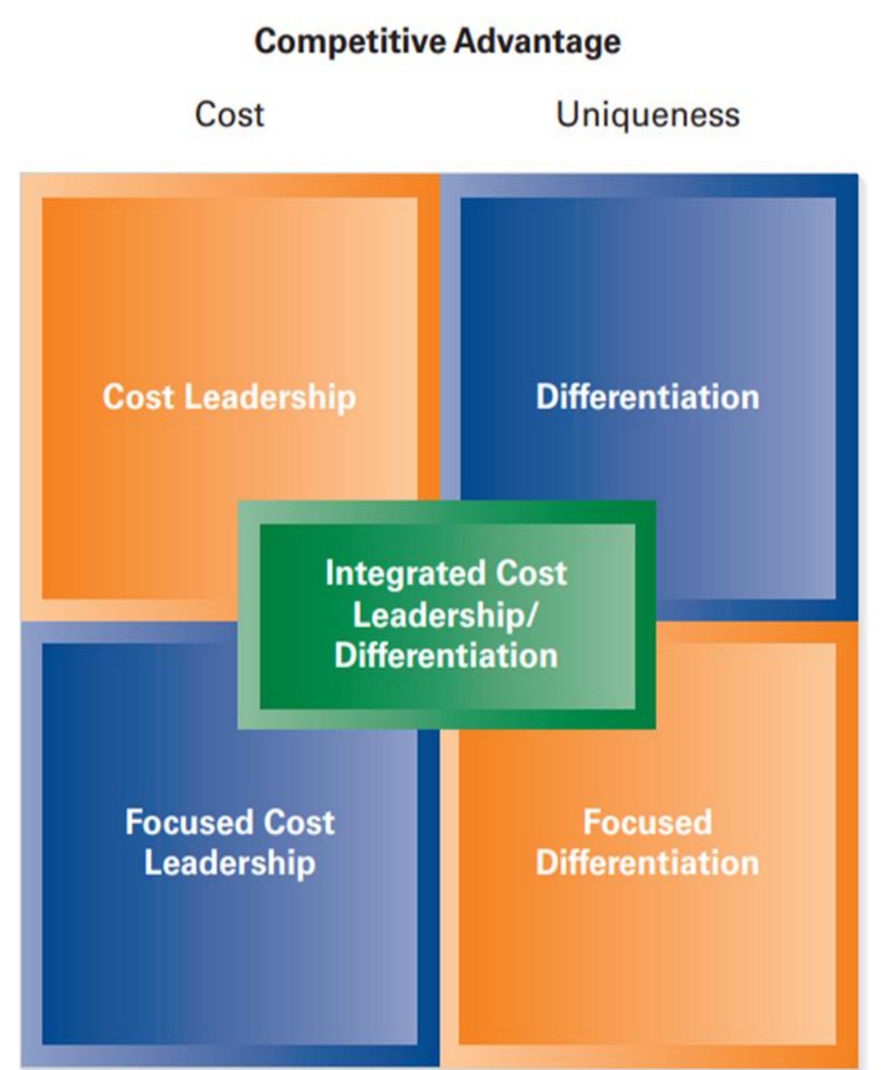
- The purpose of a business-level strategy is to create differences between the firm's position and those of its competitors.

- To position itself differently from competitors, a firm must decide whether it intends to perform activities differently or to perform different activities.

- In fact, "choosing to perform activities differently or to perform different activities than rivals" is the essence of business-level strategy.

- Thus, the firm's business-level strategy is a deliberate choice about how it will perform the value chain's primary and support activities to create unique value.

Types of Business Level Strategies / Porter's Generic Strategies



1. Cost Leadership Strategy

- The Cost Leadership strategy is an integrated set of actions taken to produce goods or services with features that are acceptable to customers at lowest cost, relative to that of competitors.

- Having a lesser cost gives leadership in the price.

- This also provides you the opportunity to reach broader market groups.

- People who are both rich and poor are attracted to the less expensive products.

- This is the most basic way that businesses compete with other companies. This is also viewed as the most straightforward way when getting customers.

- Reducing the cost should in no way affect the quality of the product. Achieving lower prices is easy when you are minimizing the costs within your company.

- For e.g. - Wal-Mart Stores Inc. has been successful using its strategy of everyday low prices to attract customers.
- The idea of everyday low prices is to offer products at a cheaper rate than competitors on a consistent basis, rather than relying on sales. Wal-Mart is able to achieve this due to its large scale and efficient supply chain.
- They source products from cheap domestic suppliers and from low-wage foreign markets. This allows the company to sell their items at low prices.

2.Differentiation Strategy

- The differentiation strategy is an integrated set of actions taken to produce goods or services (at an acceptable cost) that customers perceive as being different in ways that are important to them.

- Differentiation strategy is adopted when the firm is likely to generate more profit by focusing on a particular product attribute than becoming low cost leader.

- This strategy includes heavy advertising to insert the value proposition in the minds of its customer.

- For e.g. - L'Oréal has gained huge market share in hair colour segment by highlighting the "no ammonia" attribute of their product.

- Café Coffee Day is a chain of coffee outlets in india which targets the youth in india and also those who want to drink coffee in stylish ambience. That is why it differentiates its products from its competitors and charges a premium alike its competitors.

- The flipside of differentiation is that it requires the company to spend a lot of money in advertising and brand building activities.

3.Focus Strategy

- The focus strategy is an integrated set of actions taken to produce goods or services that serve the needs of a particular competitive segment.
- Thus, firms use a focus strategy when they utilize their core competencies to serve the needs of a particular industry segment or niche to the exclusion of others.

Examples of specific market segments that can be targeted by a focus strategy include

(1) a particular buyer group (e.g., youths or senior citizens),

(2) a different segment of a product line (e.g., products for professional painters or the do-it-yourself group), or

(3) a different geographic market (e.g., northern or southern India).

- For e.g. – Mahindra Holidays is a timeshare company in india which caters to family audience.
- In its segment Mahindra Holidays has a differentiated offer, as its offer, as it offers holiday packages for the family.

4.Integrated cost leadership/ differentiation strategy

- The integrated cost leadership/ differentiation strategy involves engaging in primary and support activities that allow a firm to simultaneously pursue low cost and differentiation.

- Most consumers have high expectations when purchasing a good or service.

- In general, it seems that most consumers want to pay a low price for products with somewhat highly differentiated features.

- Because of these customer expectations, a number of firms engage in primary and support activities that allow them to simultaneously pursue low cost and differentiation.

- Firm seeking to do this use the integrated cost leadership/differentiation strategy. The objective of using this strategy is to efficiently produce products with some differentiated features.

- For e.g. - European-based Zara, which pioneered “cheap chic” in clothing apparel, is a firm that uses the integrated cost leadership/differentiation strategy.
- Zara offers current and desirable fashion goods at relatively low prices.
- To implement this strategy effectively requires sophisticated designers and effective means of managing costs, which fits Zara’s capabilities.
- Zara can design and begin manufacturing a new fashion in three weeks, which suggests a highly flexible organization that can adapt easily to changes in the market or with competitor

Summary

- **There are essentially three strategies that can be used to win in the market place:**

1. Cost Leadership
2. Focus
3. Differentiation

DIVERSIFICATION

- Diversification is the process of allocating capital in a way that reduces the exposure to any one particular asset or risk.

- A common path towards diversification is to reduce risk or volatility by investing in a variety of assets.

- In a diversification strategy, the company enters into new lines of business from existing lines of business.

- It calls for a new set of capabilities and competencies from existing ones.

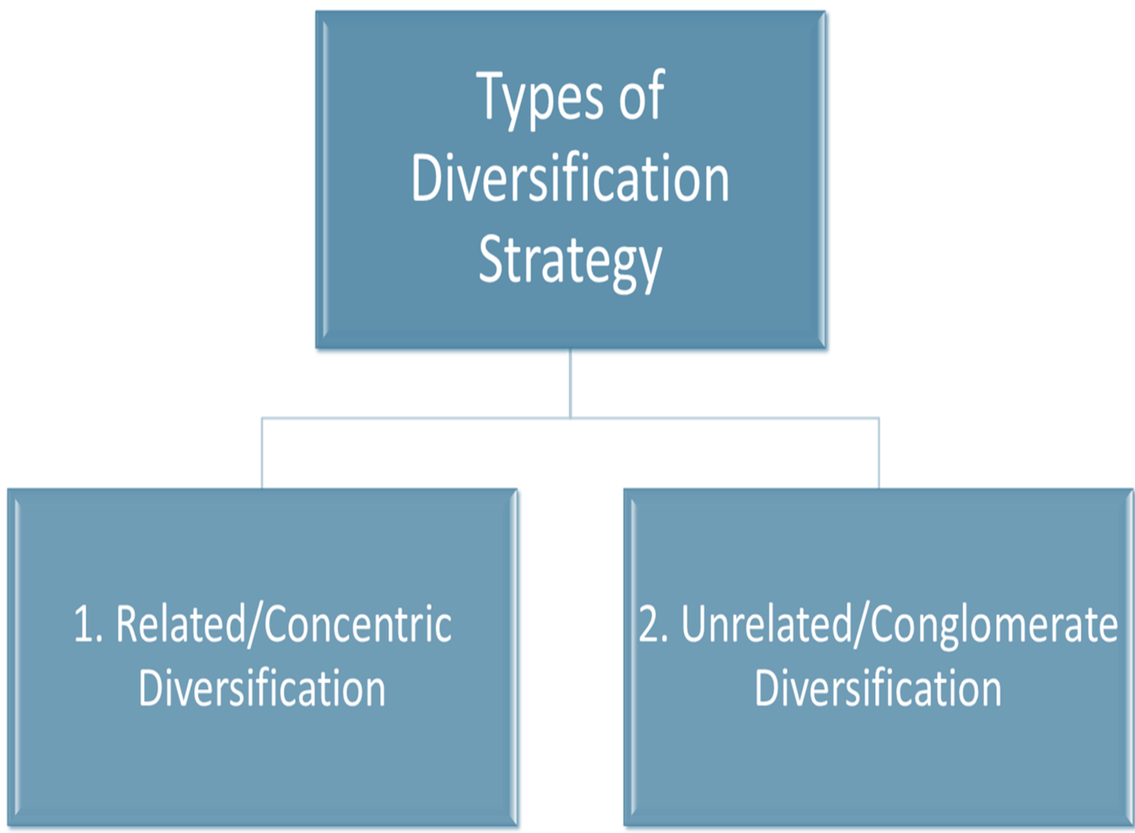
- In this strategy the organization adds markets, products, services or even modification in the production process.

- The diversification strategy is a growth strategy. It involves a great improvement in the performance of the organization from the past levels in terms of both sales and profits.

- For example, an automobile company famous for its car deals can also introduce engine oil or other car parts to an old market or cross-sell new products.

- For e.g. – Reliance industries started off in textiles with its vimal brand. However, afterwards expanded into petrochemicals, telecommunications (Reliance CDMA), Organized retail (Reliance Retail).

Types of Diversification Strategy



1. Related/Concentric Diversification

- In this type of diversification, the company expands into a new area which has synergy with the existing line of business.

- This synergy exists in the form of commonalities in technology, customers, distribution, location, product and manufacturing commonalities.
- This method of diversification is advocated where the existing company has a very strong competitive position

  in an industry but the industry is not in a very attractive position.
- It aims to create a portfolio of business with similarities.
- The approach it follows is through external acquisition rather than internal business creation.

- For e.g. - Apple. One of the most famous companies in the world, Apple Inc. is one of the greatest examples of a "related diversification" model.

- Diversification into the production of iPods, iPads, and MacBooks also helped to grow Apple's business. These were products that did not exist previously, but everybody needed them.

- Innovation has put Apple in the market leader's position. The decision to enter the retail sector greatly contributed to Apple's growth.

2.Unrelated/Conglomerate Diversification

- In the business world, companies facing the downfall, commonly identify the other potential companies eager to invest for their expansion.
- In the case of conglomerate diversification companies have no commonalities and are from totally different industries.
- The company ventures into areas which are totally different from its existing lines of business and require a totally different set of capabilities and competencies.
- For e.g. – Expansion of ITC

Levels of Diversification

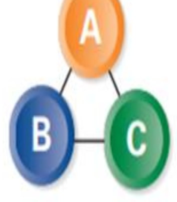
Low Levels of Diversification

Single business: 95% or more of revenue comes from a single business.

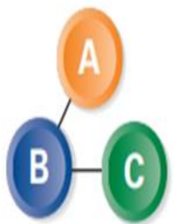
Dominant business: Between 70% and 95% of revenue comes from a single business.

Moderate to High Levels of Diversification

Related constrained: Less than 70% of revenue comes from the dominant business, and all businesses share product, technological, and distribution linkages.



Related linked (mixed related and unrelated): Less than 70% of revenue comes from the dominant business, and there are only limited links between businesses.



Very High Levels of Diversification

Unrelated: Less than 70% of revenue comes from the dominant business, and there are no common links between businesses.

Reasons for Diversification Strategy

Value-Creating Diversification

- Economies of scope (related diversification)
  - Sharing activities
  - Transferring core competencies
- Market power (related diversification)
  - Blocking competitors through multipoint competition
  - Vertical integration
- Financial economies (unrelated diversification)
  - Efficient internal capital allocation
  - Business restructuring

Value-Neutral Diversification

- Antitrust regulation
- Tax laws
- Low performance
- Uncertain future cash flows
- Risk reduction for firm
- Tangible resources
- Intangible resources

Value-Reducing Diversification

- Diversifying managerial employment risk
- Increasing managerial compensation

MCQs

Sr.no.	Questions	Answers
1	In order to maintain leadership in its product offerings, which of the following make or buy decision(s) will a firm undertake?	outsource the IT management function to a third party
2	The core processes of a firm are:	CRM, Product innovation and SCM
3	In order to maintain its core competence, high-end pharmaceutical firms should focus on:	Product innovation
4	In order to maintain its corporate image in the market, Wal-Mart should focus	Supply chain management
5	For the purpose of identifying a firm's core processes through product architecture route, a sub-system is considered strategic if	It involves fast changing technology, requires specialized skills and has significant impact on the performance of the product

6	Costs incurred in connection with the control and co-ordination of internal supply chain are known as	Agency cost
7	What are the five primary activities of the value chain model	Inbound logistics, Operations, Outbound Logistics, Marketing and Sales, and Service
8	The items with high strategic importance and high supply risk are termed as:	Stretegic items
9	Which one of the following is not true regarding relationship-specific asset?	It can be redeployed for other customers without any significant cost.
10	The items with low strategic importance and high supply risk are termed as:	Bottleneck item
11	The items with high strategic importance and low supply risk are termed as:	Leverage item
12	The items with low strategic importance and low supply risk are termed as:	Routin items
13	Transaction costs do not include:	Costs incurred in control and

		coordination of internal supply
14	Which of the following is not considered a primary activity in the value chain framework developed by Michael Porter?	Procurement
15	Which of the following is not considered a secondary activity in the value chain framework developed by Michael Porter?	Sales and service
16	In order to maintain leadership in its product offerings, which of the following make or buy decision(s) will a firm undertake?	It will carry out the brand management function itself and outsource the IT management function to a third party
17	In order to maintain its core competence, high-end pharmaceutical firms should focus on:	Product innovation
18	Which of the following SWOT elements are internal factors for a business?	Strength and weaknesses
19	Which of the following is false regarding why a SWOT Analysis is used?	To reduce opportunities available to a business

20	How often should a SWOT Analysis be performed?	Only when the business starts
21	Which of the following could be a strength?	The location of a business
22	Which of the following could be a weakness?	Poor quality of goods and services
23	Which of the following could be an opportunity?	Moving into new market segments that offer improved profits
24	Which of the following could be a threat?	Changes in technology
25	Which of the following is true about preparing a SWOT Analysis?	It should be specific and avoid grey areas
26	Who usually conducts a SWOT Analysis for a business?	Manager
27	How will you used the information presented in this PD?	Will vary
28	Environmental scanning is a one-off activity carried out by new companies. True or false?	False
29	Luxembourg is a member of the European Union. True or false?	True
30	Which of the following is false regarding why a SWOT Analysis is used?	To reduce opportunities available to a business

31	The resource-based view is also known as:	The inside-out approach
32	Toyota has excellent materials handling and inventory control. In terms of the value chain, this is the activity of:	Inbound logistics
33	Which of the following approaches is not another way of referring to the approach that is exemplified by the Five Forces model?	Stretch approach
34	An organization's reputation is an example of:	An intangible resource
35	Tacit knowledge is knowledge which is?	Difficulty to codify
36	The resources of an organization can be defined as:	Inputs to enable the organization to carry out its activities. correct
37	Competencies can be defined as:	Attributes that a firm requires to be able to compete in the market place.
38	A core competence can be defined as	A cluster of attributes that confers competitive advantage. correct

39	Core competences or distinctive capabilities derive from three areas. These are:	Architecture, innovation and reputation
40	Prahalad and Hamel (1990) refer to 'the tyranny of the SBU' when describing the situation where:	Corporations see their portfolio as a collection of discrete businesses
41	For a resource to provide the potential for sustainable competitive advantage it must be:	Valuable, rare, difficult to imitate, no strategic substitutes. correct
42	Causal ambiguity refers to the situation where:	The reason for something isn't fully understood. correct
43	The way in which an organization generates value from the knowledge held in the organization is referred to as:	Knowledge management
44	Explicit knowledge is	Knowable and easily transferable.
45	Dynamic capabilities are:	To modifying the usage of resources to

		match market changes. correct
46	The fundamental purpose for the existence of any organization is described by its	Mission
47	The fundamental purpose of an organization's mission statement is to	define the organization's purpose in society
48	The acronym SWOT stands for	Strengths, Weaknesses, Opportunities, and Threats
49	Which of the following is not a characteristic of strategic management that makes it different from other types of management?	. It concerns the present direction of the organization
50	Which of the following is an issue considered in developing corporate strategies?	What resources do we have to implement our strategies?
51	Which of the following is NOT a major element of the strategic management process?	Assigning administrative tasks
52	Competitive advantage can best be described as:	increased efficiency

53	The various organizational routines and processes that determine how efficiently and effectively the organization transforms its inputs into outputs are called:	Core competencies
54	When defining strategic management the most important thing to remember is that it is:	A living evolving process
55	An organisation's strategy:	generally forms over a period of time as events unfold
56	The primary focus of strategic management is:	The total organization
57	Which of the following is not an advantage of strategic management?	It helps improve the political, economic, social and technological environment of the organisation
58	Which of the following is not an advantage of strategic management?	It helps improve the political, economic, social and technological environment of the organisation
59	Which of the following defines what business or businesses the firm is in or should be in?	Corporate strategy
60	Which of the following focuses on supporting the corporate and business strategies?	Operational strategy

61	Which one of the following is not a primary task of strategic managers?	Developing the steps to follow in implementing operational level plans
62	The task of strategy choice involves	developing plans and activities which will improve the organisation's performance and competitive position
63	Which one of the following is at the core of strategic management?	Adapting the organisation to a changing external environment
64	The corporate level is where top management directs:	overall strategy for the entire organization
65	The three organizational levels are:	corporate level, business level, functional level
66	Which of the following is an example of competing on quick response?	a firm's products are introduced

		into the market faster than its competitors'
67	Which one of the following is NOT included in the Porter's Five Forces model:	Rivalry among stockholders
68	What is meant by the term 'Stakeholder'?	A person who is related with a business.
69	Of the following, which one would NOT be considered one of the components of a mission statement?	XYZ shall hire only those individuals who have with sufficient educational levels so as to be of benefit to our customers
70	The strategic management process is	the full set of commitments, decisions, and actions required for the firm to achieve above-average returns and strategic competitiveness..

71	Which of the following is not one of Michael Porter's basic competitive position strategies?	Operational excellence
72	Which of the following is a part of the marketing challenge strategies?	Full frontal attack
73	Benchmarking: comparing the company's products and processes to those of competitors or leading firms in other industries to identify "best practice" and find ways to improve quality and performance.	True
74	The key idea in niching is to have the broadest product assortment on the market.	False
75	Customer intimacy: the company provides superior value by leading its industry in price and convenience	False
76	Creating competitive advantages begins with a thorough understanding of competitors' _______.	Strategies
77	Michael Treacy and Fred Wiersema suggest that companies gain leadership positions by delivering _______ _______ to their customers.	Superior value
78	The term competitive advantage stands for	the superior market position of a company in the market vis-a-vis its competitors

79	The reason for organizations' efforts to gain competitive advantage out of HR is:	HR environment is responsible for competitive advantage as it cannot be imitated easily by the competitors.
80	When a manager is moved to another country for employment, he is called	expatriate
81	The treatment of employees as one of the factors of production is the basic assumption of the ________ version of HRM.	Hard
82	Which of the following resources is a source of competitive advantage?	All the organization resources
83	Performance evaluation improves competitive advantage by	reducing grievance and labour turnover by making employees trust that they are treated fairly

84	A sustained or sustainable competitive advantage requires that:	other companies not be able to duplicate the strategy
85	Strategy is developed by the	visionary chief executive in entrepreneurial mode of strategic management.
86	Stability strategy is a	Corporate level strategies
87	Marketing strategy is a	functional strategy type of strategy.
88	A possible and desirable future state of an organization is called	Vision
89	Forming a strategic vision is an	an exercise in thinking about where a company needs to head to be successful.
90	Vision is a	future-oriented concept of the business

MODULE – 3

Strategy Formulation at Corporate Level

- A corporate strategy is a long-term plan that outlines clear goals for a company.

- While the objective of each goal may differ, the ultimate purpose of a corporate strategy is to improve the company.

- A company's corporate strategy may be to focus on sales, growth or leadership. For example, a business might implement a corporate strategy to expand its sales to different markets or consumers. It may also use corporate strategy to prioritize resources.

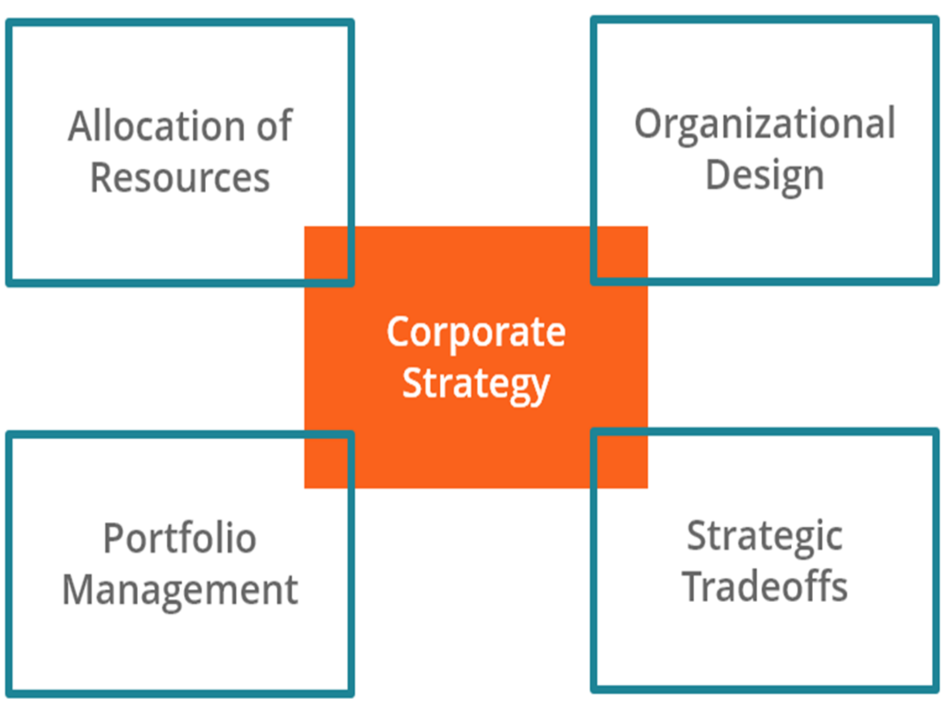
- Another purpose of corporate strategy is to create company value and to motivate employees to work toward that value or set of goals.

- The grand strategy of the company is also known as the corporate strategy or the master strategy.

- It provides the general plan by which the company intends to achieve its long term goals.

- It basically falls into four types – expansion, stability, retrenchment, and combination.

Components of Corporate Strategy



1. Allocation of Resources

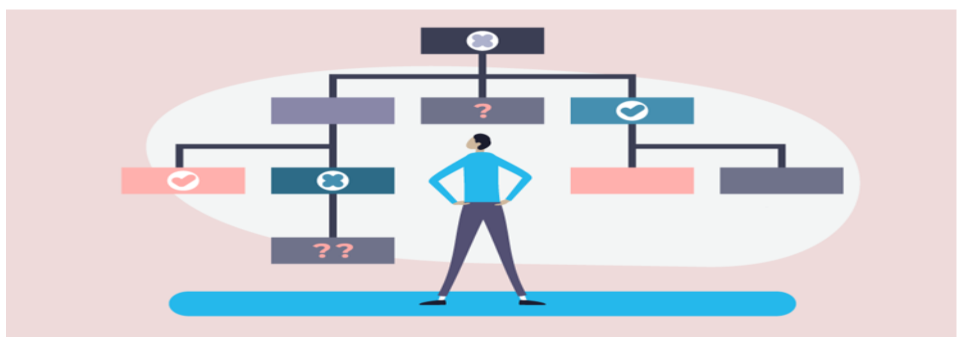
- The allocation of resources at a firm focuses mostly on two resources: people and capital.

- In an effort to maximize the value of the entire firm, leaders must determine how to allocate these resources to the various businesses or business units to make the whole greater than the sum of the parts.

2.Organizational Design

- Organizational design involves ensuring the firm has the necessary corporate structure and related systems in place to create the maximum amount of value.

- Factors that leaders must consider are the role of the corporate head office (centralized vs decentralized approach) and the reporting structure of individuals and business units – vertical hierarchy, matrix reporting, etc.



3. Portfolio Management

- Portfolio management looks at the way business units complement each other, their correlations, and decides where the firm will "play" (i.e. what businesses it will or won't enter).

4.Strategic Tradeoffs

- One of the most challenging aspects of corporate strategy is balancing the tradeoffs between risk and return across the firm.
- It's important to have a holistic view of all the businesses combined and ensure that the desired levels of risk management and return generation are being pursued.

Various Corporate Strategies

1. Expansion Strategy
2. Retrenchment Strategy
3. Stability Strategy
4. Combination Strategy

1.Expansion/Growth Strategy

- The **Expansion Strategy** is adopted by an organization when it attempts to achieve a high growth as compared to its past achievements.

- In other words, when a firm aims to grow considerably by broadening the scope of one of its business operations in the perspective of customer groups, customer functions and technology alternatives, either individually or jointly, then it follows the Expansion Strategy.

- The reasons for the expansion could be survival, higher profits, increased prestige, economies of scale, larger market share, social benefits, etc. The expansion strategy is adopted by those firms who have managers with a high degree of achievement and recognition. Their aim is to grow, irrespective of the risk and the hurdles coming in the way.

- Go through the examples below to further comprehend the understanding of the expansion strategy. These are in

the context of customer groups, customer functions and technology alternatives.

- The baby diaper company expands its customer groups by offering the diaper to old aged persons along with the babies.

- The stockbroking company offers the personalized services to the small investors apart from its normal dealings in shares and debentures with a view to having more business and a diversified risk.

- The banks upgraded their data management system by recording the information on computers and reduced huge paperwork. This was done to improve the efficiency of the banks.

- In all the examples above, companies have made significant changes to their customer groups, products, and the technology, so as to have a high growth.

Types of Expansion Strategies

1. Concentration Strategies

- Another name of concentration strategy is intensive strategy.
- Intensive strategies aim to increase the market share of the company by launching new products and services and by increasing the number of offerings of the company in the market.
- The company offers innovative new products to its customers in order to fulfil their needs and demands.

- It also plays a significant role in increasing both the revenue and sales of the organization.

Types of Concentration Strategies

1.Market Penetration

This concerns acquiring a larger percentage of the existing market for the firms existing products. This is normally done through extensive marketing campaigns.

2.Market Development

This concerns selling existing products in new markets. A popular method of entering new markets with existing products is to pursue new sales channels. For example, a brick and mortar retail store might enter a new market by selling online. Another example would be expanding into a foreign market.

3.Product Development

This concerns the creation of new products to sell or deliver within the existing market. The products or services offered may be related. The key aspect is that they are novel to the company and they are selling the products within their existing market space.

2. Integration strategy

- An organization performs many functions right from sourcing the raw materials, converting the same into a finished product and finally marketing the finished product to the customer.

- The entire set of this activities comprises the value chain of the organization.

- Integration strategies denote efforts by the company to move up or down its value chain and adding to the present activities of the organization.

- This helps the organization to increase its business and serves its customers need in far more effective manner.

3. Diversification Strategy

- In a diversification strategy, the company enters into new lines of business from existing lines of business.

- It calls for a new set of capabilities and competencies from existing ones.

- In this strategy the organization adds markets, products, services or even modification in the production process.

- The diversification strategy is a growth strategy. It involves a great improvement in the performance of the organization from the past levels in terms of both sales and profits.

4. Cooperative Strategy

- Cooperative Strategy refers to a planning strategy in which two or more firms work together in order to achieve a common objective. Several companies apply cooperative strategies to increase their profits through cooperation with other companies that stop being competitors.

- The cooperation may serve to reduce costs, sure up supply chains, reduce competition, add

resources/knowledge/skillsets, and create other synergies.

- The cooperation can be between suppliers, buyers, unrelated businesses, or even competitors

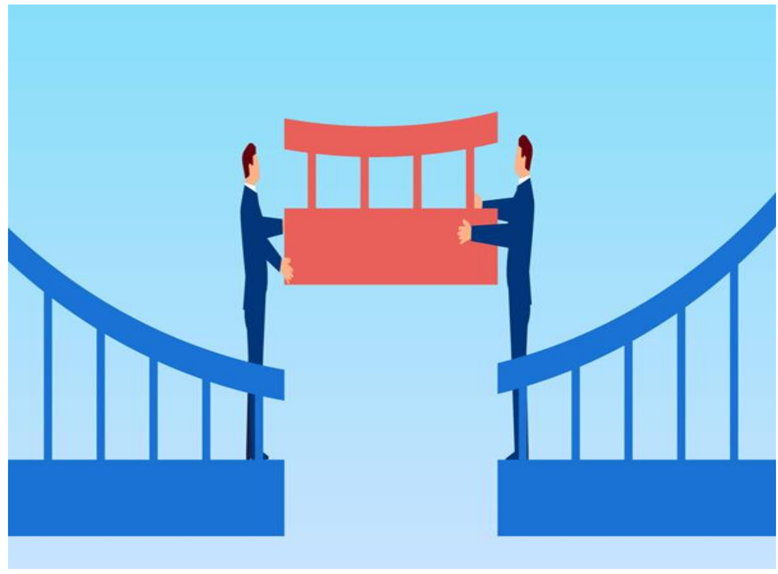
Types of Cooperation Strategy

1. Mergers

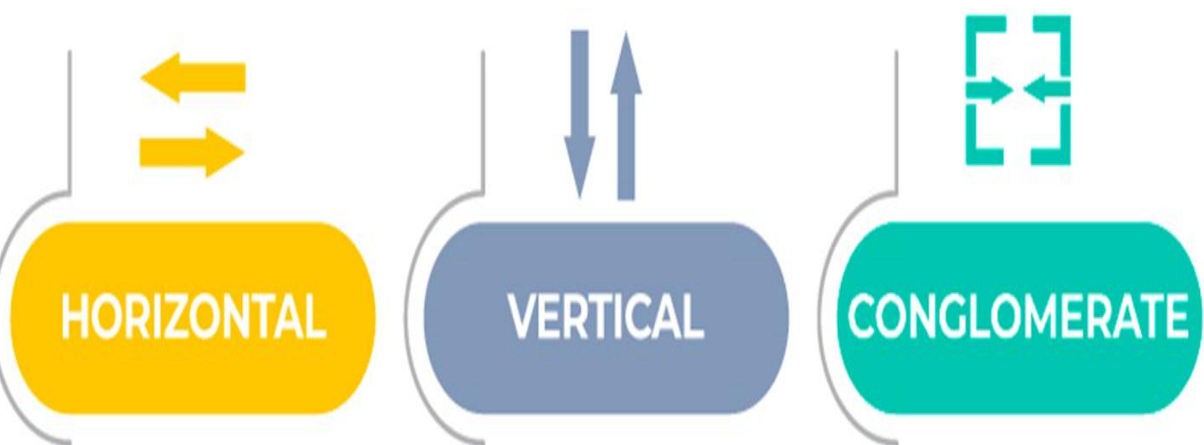
- A merger is a corporate strategy to combine with another company and operate as a single legal entity. The companies agreeing to mergers are typically equal in terms of size and scale of operations.

- There are different types of mergers that the companies can follow, depending on their objectives and strategies.

- A merger is different from an acquisition. Mergers happen when two or more companies combine to form a new entity, whereas an acquisition is the takeover of a company by another company.



Types of Mergers



Examples of Mergers

- Merger of Vodafone India and Idea Cellular Limited, two telecommunication companies, is a classic example of a horizontal merger.

- Merger between Zee Entertainment Enterprises Limited Ltd. (ZEEL), a broadcaster, and Dish TV India Limited, a distribution platform operator is an example of vertical merger as both the entities are at different stages of the production/supply chain.

- Example of a conglomerate merger was the merger between the Walt Disney Company and the American Broadcasting Company.

2. Acquisition / Takeovers

- Two firms combining where one firm looses its identity and get join the one giant firm

- Firms does this when they can't compete in the current industrial environment.

- If you cant beat your enemy ….. Shake hands with them.

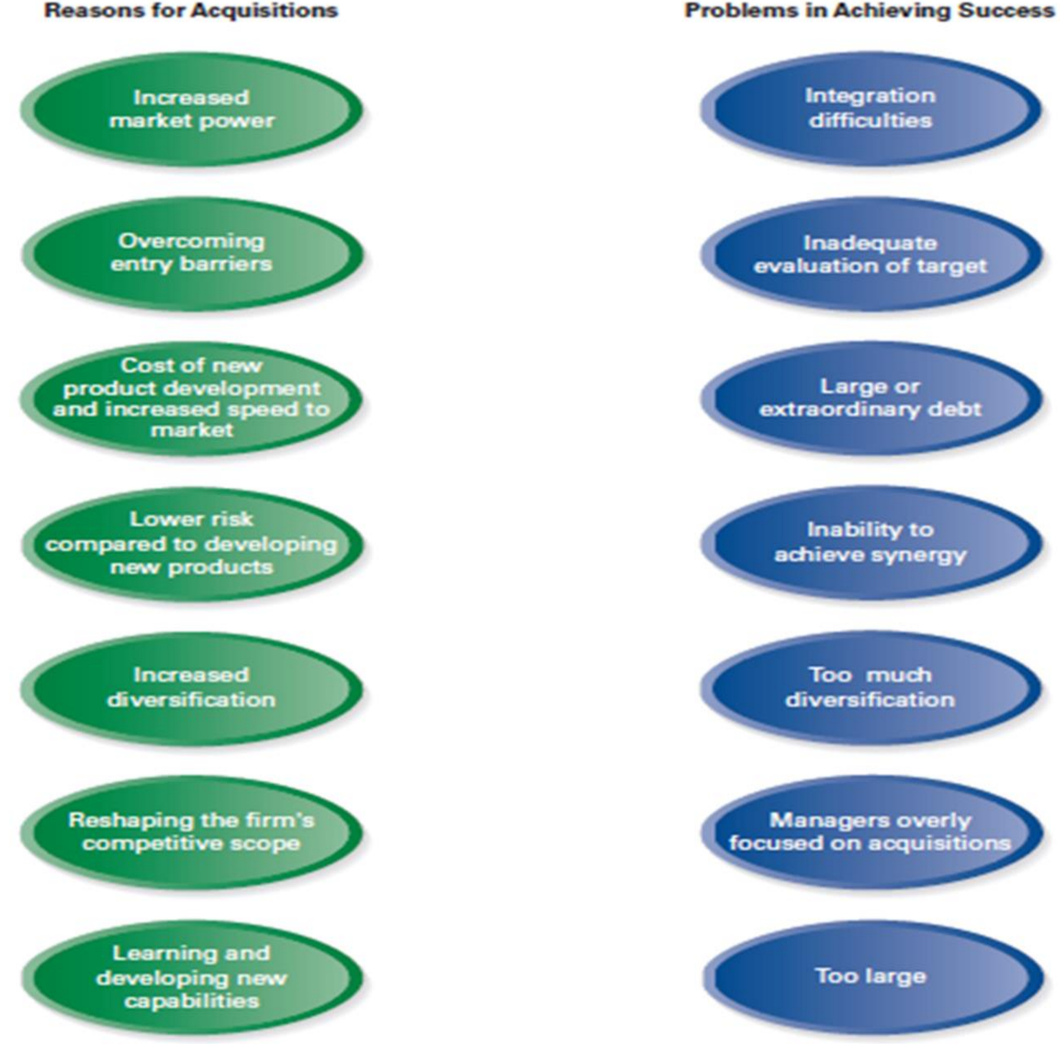
- A transaction where one firms buys another firm with the intent of more effectively using a core competence by making the acquired firm a subsidiary within its portfolio of business

- It also known as a takeover or a buyout

- The terms acquisitions and takeovers are sometimes interchangeably used. There are different meanings between the two business operation, however, depending upon whether the target company is acquired with its permission or without.

- Acquisitions occur when one company acquires another with the permission of its board to do so.

- Takeovers are also referred to as hostile takeovers. In contrast to other acquisitions, takeovers occur when a company takes over and purchases a company without the permission of the company or its board of directors.



Examples of Acquisition

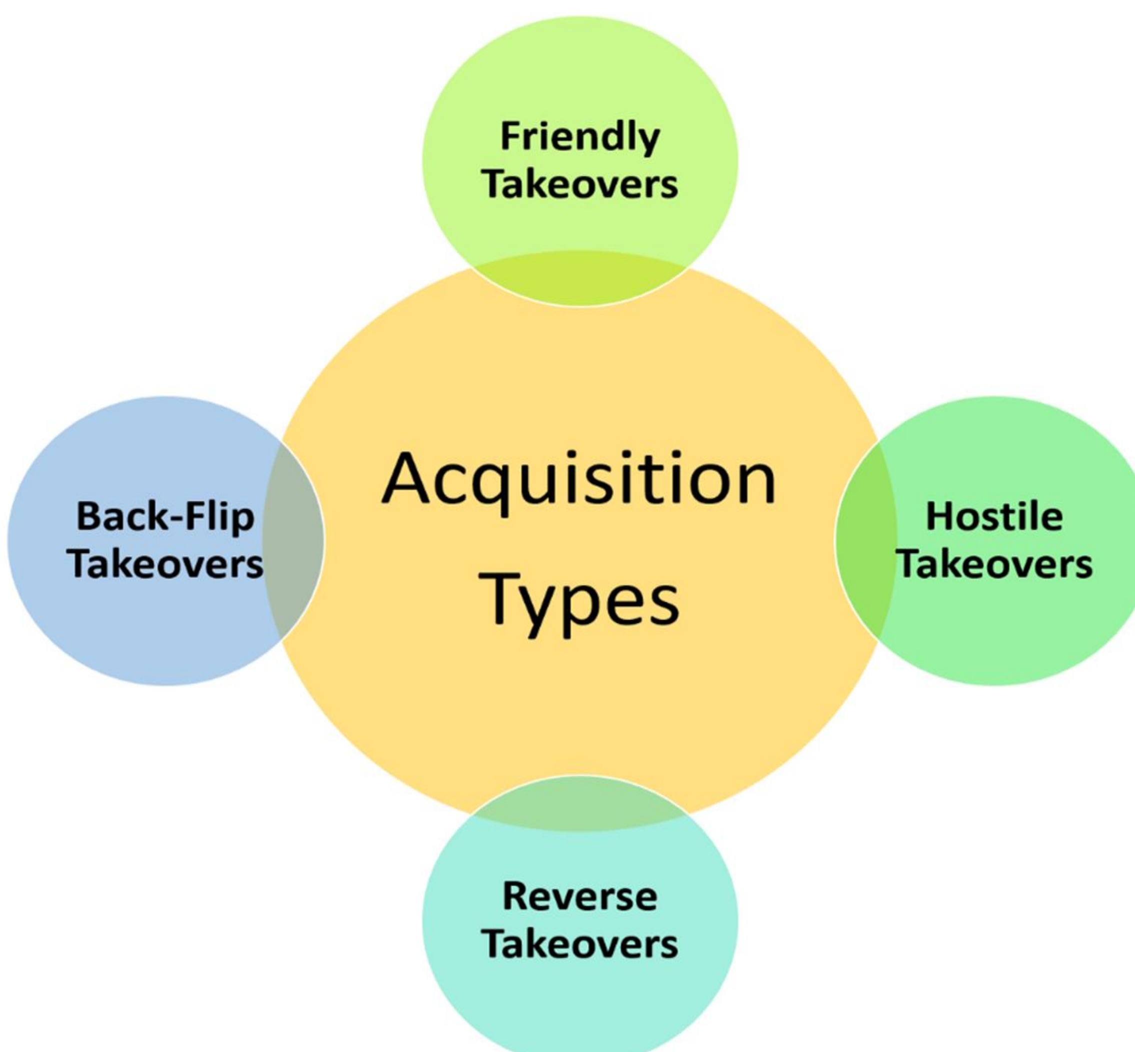
1. Tata Steel-Corus: $12.2 billion

- January 30, 2007
- Largest Indian take-over
- After the deal TATA'S became the 5th largest STEEL co.
- 100 % stake in CORUS paying Rs 428/- per share

2. Vodafone-Hutchison Essar: $11.1 billion

- TELECOM sector
- 11th February 2007
- 2nd largest takeover deal
- 67 % stake holding in hutch

Types of Acquisition



1. Friendly Takeover

- A friendly takeover is a scenario in which a target company is willingly acquired by another company.

- Friendly takeovers are subject to approval by the target company's shareholders, who generally greenlight deals only if they believe the price per share offer is reasonable.

2. Hostile Takeover

- A hostile takeover is when a company or activist shareholder tries to gain control of a target company by sidestepping the company's management and board of directors, and going directly to its shareholders.

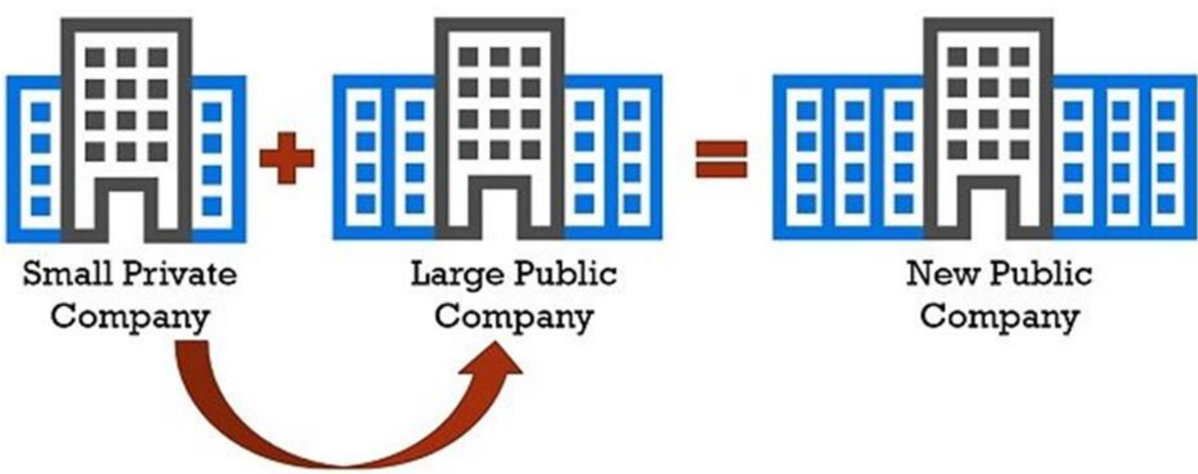
3. Reverse Takeover

- A reverse takeover (RTO) is a process whereby private companies can become publicly traded companies without going through an initial public offering (IPO).

- To begin, a private company buys enough shares to control a publicly-traded company. The private company's shareholder then exchanges its shares in the private company for shares in the public company. At this

point, the private company has effectively become a publicly-traded company.

- An RTO is also sometimes referred to as a reverse merger or a reverse IPO.



4. Backflip takeovers

- This occurs when the acquiring company becomes a subsidiary of the company it purchases.

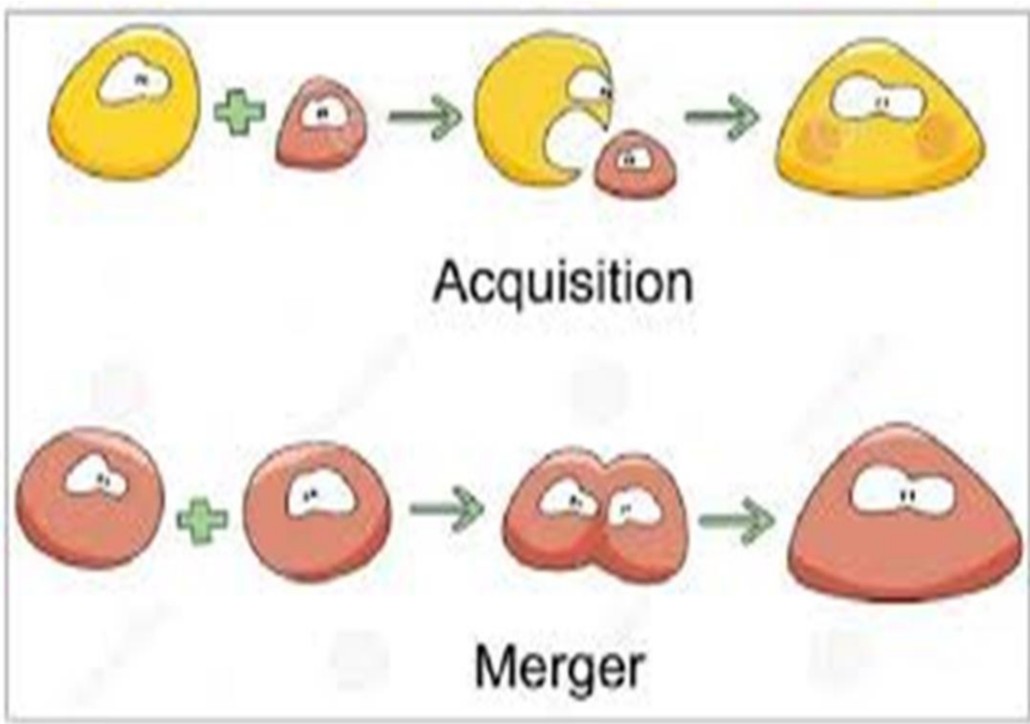
- Imagine your company is called ABC Inc. It has lots of money but very few people globally know it exists. You hear that XYZ Plc. is in financial trouble. It is also a

company with products that are famous all over the world.

- If you acquire it, you will probably drop the ABC name and continue with XYZ.

Differences between Merger & Acquisition

Merger	Acquisition
i. Merging of two organization in to one.	i. Buying one organization by another.
ii. It is the mutual decision.	ii. It can be friendly takeover or hostile takeover.
iii. Merger is expensive than acquisition(higher legal cost).	iii. Acquisition is less expensive than merger.
iv. Through merger shareholders can increase their net worth.	iv. Buyers cannot raise their enough capital.
v. It is time consuming and the company has to maintain so much legal issues.	v. It is faster and easier transaction.
vi. Dilution of ownership occurs in merger.	vi. The acquirer does not experience the dilution of ownership.



- Both terms often refer to the joining of two companies, but there are key differences involved in when to use them.
- A merger occurs when two separate entities combine forces to create a new, joint organization. Meanwhile, an acquisition refers to the takeover of one entity by another.

2.Joint Ventures

- A joint venture is a combination of two or more parties that seek the development of a single enterprise or project for profit, sharing the risks associated with its development.
- Joint Ventures can be with a company of same industry or can be of some other industry, but with a combination of both, they will generate a competitive advantage over other players in the market.
- In short, when two or more organizations join hands together for creating synergy and gain a mutual competitive advantage, the new entity is called a Joint Venture.

- It can be a private company, public company or even a foreign company.
- In India, many companies underwent joint venture with various foreign companies, which were either technologically more advanced or geographically more scattered.
- The major joint ventures in India were done in sectors like Insurance, Banking, Commercial Transport vehicle, etc.

EXAMPLE OF JOINT VENTURES

1. BARNES & NOBLE + STARBUCKS

- You've probably noticed all of the Starbucks placed within Barnes & Noble bookstores – but did you know that's actually a joint venture example? Both companies win: Starbucks sells more coffee, and Barnes & Noble provides an excellent customer experience with its in-store cafes.

2. SAMSUNG + SPOTIFY

- In 2018, Samsung and Spotify struck a deal to make it easier to use Spotify on Samsung devices. A year later they expanded that agreement and began including Spotify as a pre-installed app on many Samsung phones – even giving consumers six months free.

Advantages of Joint Ventures

- Access to new markets and distribution networks
- Increased capacity
- Sharing of risks and costs (ie liability) with a partner
- Access to new knowledge and expertise, including specialized staff
- Access to greater resources, for example, technology and finance

Dis-advantages of Joint Ventures

- The objectives of the venture are unclear
- The communication between partners is not great

- The partners expect different things from the joint venture
- The level of expertise and investment isn't equally matched
- The work and resources aren't distributed equally
- The different cultures and management styles pose barriers to co-operation
- The leadership and support is not there in the early stages
- The venture's contractual limitations pose a risk to a partner's core business operations

4. Strategic Alliance

- A strategic alliance is an agreement between two or more parties to pursue a set of agreed upon objectives needed while remaining independent organizations.

- A strategic alliance is a cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage. Thus, strategic alliances involve firms with some degree of exchange and sharing

of resources and capabilities to co-develop, sell, and service goods or services.

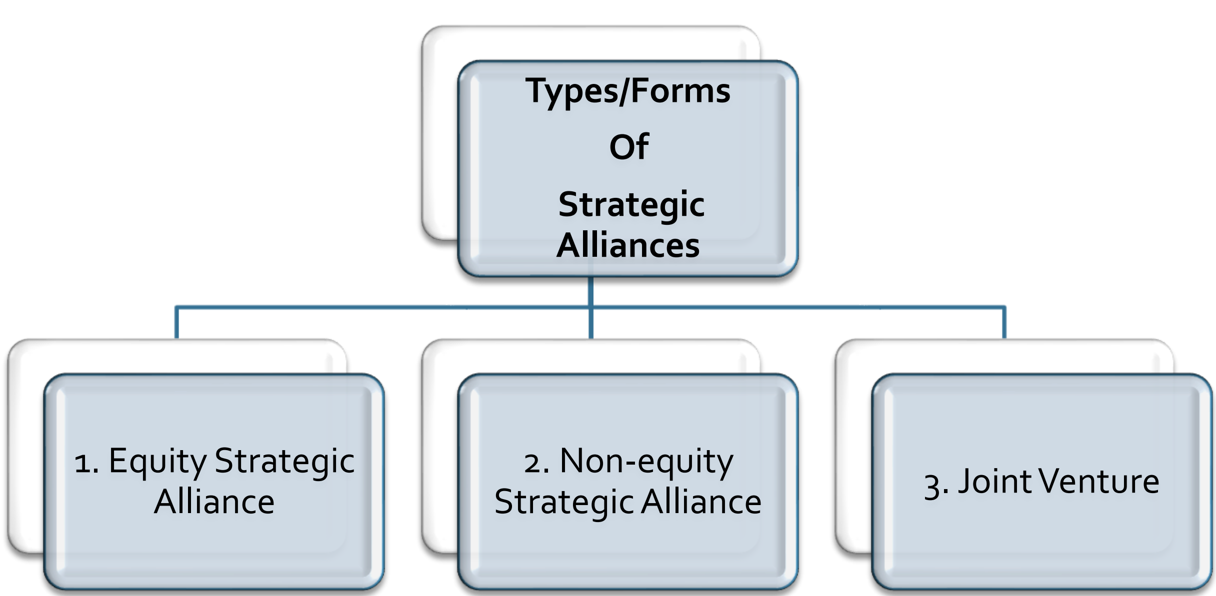
- Strategic alliances allow firms to leverage their existing resources and capabilities while working with partners to develop additional resources and capabilities as the foundation for new competitive advantages.

- Strategic alliances and collaborative partnerships are thus an important means to bridge the technological and resource shortfalls of a company.

- More and more companies are adopting strategic alliances to achieve their strategic objectives.

- E.g., uber & spotify

Types of Strategic Alliances



1. Equity Strategic Alliance

- An equity strategic alliance occurs when one company purchases equity in another business (partial acquisition), or each business purchases equity in each other (cross-equity transactions).

2. Non – Equity Strategic Alliance

- In a non-equity strategic alliance, organizations create an agreement to share resources without creating a separate entity or sharing equity.

- Non-equity alliances are often more loose and informal than a partnership involving equity. These make up the vast majority of business alliances.

- Taking equity-sharing out of the equation can be a strategic advantage in research and development, production, and sales and marketing.

3. Joint Venture

- A joint venture is a child company of two parent companies.
- It's maintained by sharing resources and equity with a binding agreement.
- Whether it's formed for a specific purpose or an ongoing strategy, a joint venture has a clear objective, and profits are split between the two companies.

- **Advantages of Strategic Alliances**

1. Earn new clients
2. Expand business opportunities and revenue
3. Attain different sources of income
4. Limit risk
5. Gain new resources
6. Change public perception

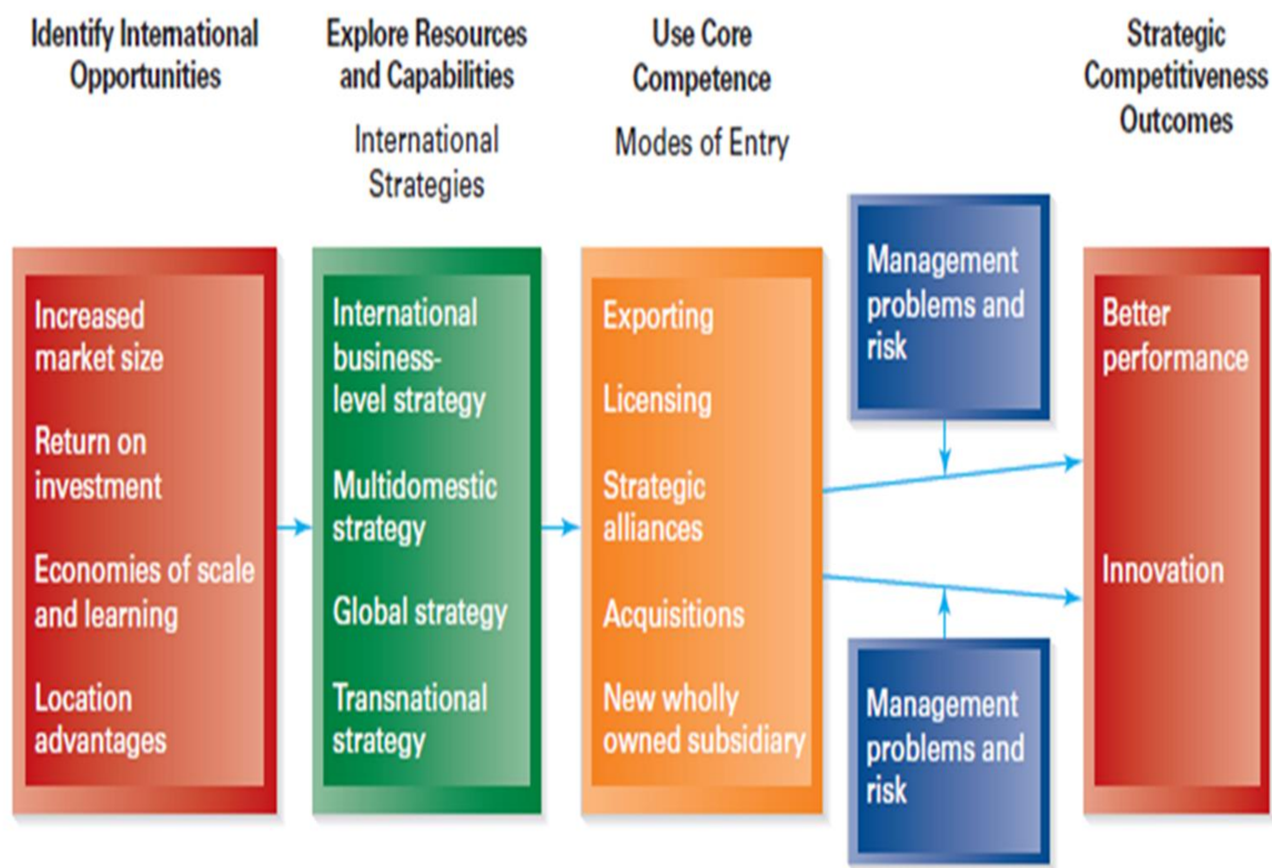
- **Dis-advantages of Strategic Alliance**

1. Experience communication challenges
2. Earn unequal benefits
3. Risk a company's reputation
4. Encounter conflicts
5. Face culture or language barriers
6. Confront challenging alliance management

4. International Strategy

- An international strategy is a strategy through which the firm sells its goods or services outside its domestic market.

- One of the primary reasons for implementing an international strategy (as opposed to a strategy focused on the domestic market) is that international markets yield potential new opportunities.



Basic types of International Strategies

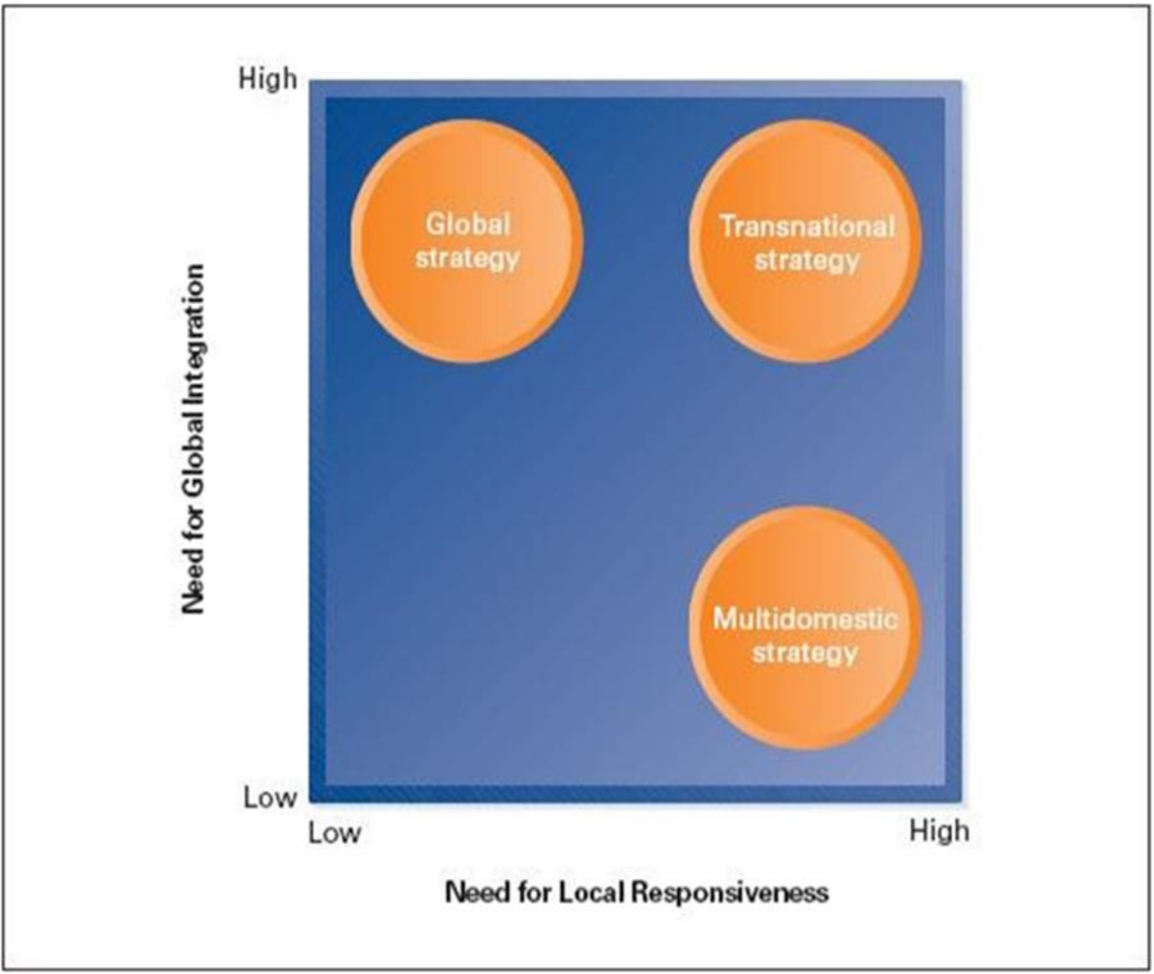
Two basic types of IS

1- INTERNATIONAL BUSINESS-LEVEL STRATEGY

2- INTERNATIONAL CORPORATE-LEVEL STRATEGY

International Corporate Level Strategy

- When it comes to International Business, organisation faces two types of pressure:
    1. Global Integration
    2. Local Responsiveness



- **Global integration** is the degree to which the company is able to use the same products and methods in other countries.

- **Local responsiveness** is the degree to which the company must customize their products and methods to meet conditions in other country.

1. Multi domestic

- Decentralized strategic & operating decisions by strategic business-unit (SBU) in each country allows units to tailor products to local markets
- Focuses on variations of competition within each country
- Customized products to meet local customers' specific needs and preferences
- Takes steps to isolate the firm from global competitive forces
- Establish protected market positions
- Compete in industry segments most affected by differences among local countries
- Deals with uncertainty from differences across markets

EXAMPLE: McDonald's

- In USA, menu includes meat and beef.
- In India, menu includes burger with tikki.
- In Europe, burger is served with wine.

2. Global

- Offers standardized products across country markets, with the competitive strategy being dictated by the home office
- Emphasizes economies of scale
- Facilitated by improved global reporting standards (i.e., accounting and financial)
-

- Strategic & operating decisions centralized at home office
- Involves interdependent SBUs operating in each country
- Home office attempts to achieve integration across SBUs, adding management complexity
- Produces lower risk
- Offers less effective learning processes (pressure to conform and standardize)
- Value is created by designing products for a world market and manufacturing and marketing them as effectively and efficiently as possible.
- Also known as **Standardization strategy.**

EXAMPLE: Microsoft

3. Transnational

- Seeks to achieve both global efficiency and local responsiveness – these are competing goals!

- Requires both global coordination and local flexibility with this strategy/structure combination

    - **Flexible Coordination:** Building a shared vision and individual commitment through an integrated network

- Challenging, but becoming increasingly necessary to compete in international markets

- Growing number of global competitors heightens need to keep costs down while greater information flow and desire for specialized products pressures firms to differentiate and even customize product

- Increasingly used as a strategy

- Realistically, the transnational firm faces serious challenges to its attempts to efficiently and effectively configure and coordinate its activities.

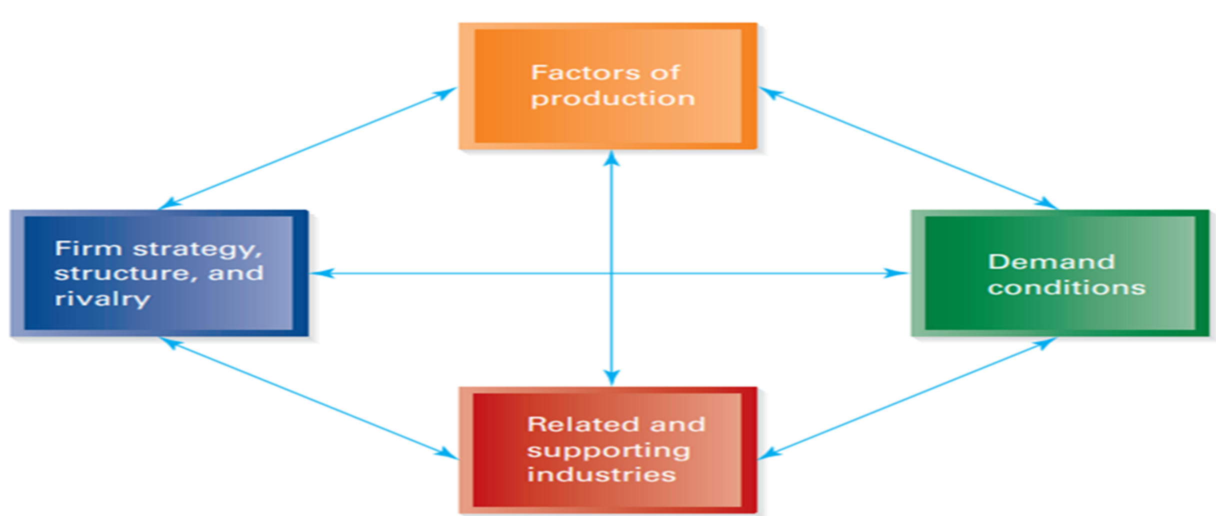
Example - Unilever

Differences

Company	Multinational	Global	Transnational
Strategy	Multi Domestic	Global	Global
Model	Decentralized	Centralized	Integrated
Views of the World	National Markets	Global Markets	Global Markets and Resources
Approach	Polycentric	Mixed	Geocentric
Knowledge	Retain within operation units	Shared and jointly marketing developed	All functions work as joint
Role of Country	Exploit local opportunities	Marketing or sourcing	Worldwide contributions of all functions
Key Assets	Self sufficient	All in home country	Interdependent

International Business Level Strategy

- In an international business-level strategy, the home country of operation is often the most important source of competitive advantage.
- The resources and capabilities established in the home country frequently allow the firm to pursue the strategy into markets located in other countries.
- However, research indicates that as a firm continues its growth into multiple international locations, the country of origin is less important for competitive advantage.
- The factors contributing to the advantage of firms in a dominant global industry and associated with a specific home country or regional environment.



Restructuring

- Restructuring is a strategy through which a firm changes its set of businesses or its financial structure. Restructuring is a global phenomenon.

- From the 1970s into the 2000s, divesting businesses from company portfolios and downsizing accounted for a large percentage of firms' restructuring strategies.

- The words of an executive describe this typical outcome: "Focus on your core business, but don't be distracted, let other people buy assets that aren't right for you."

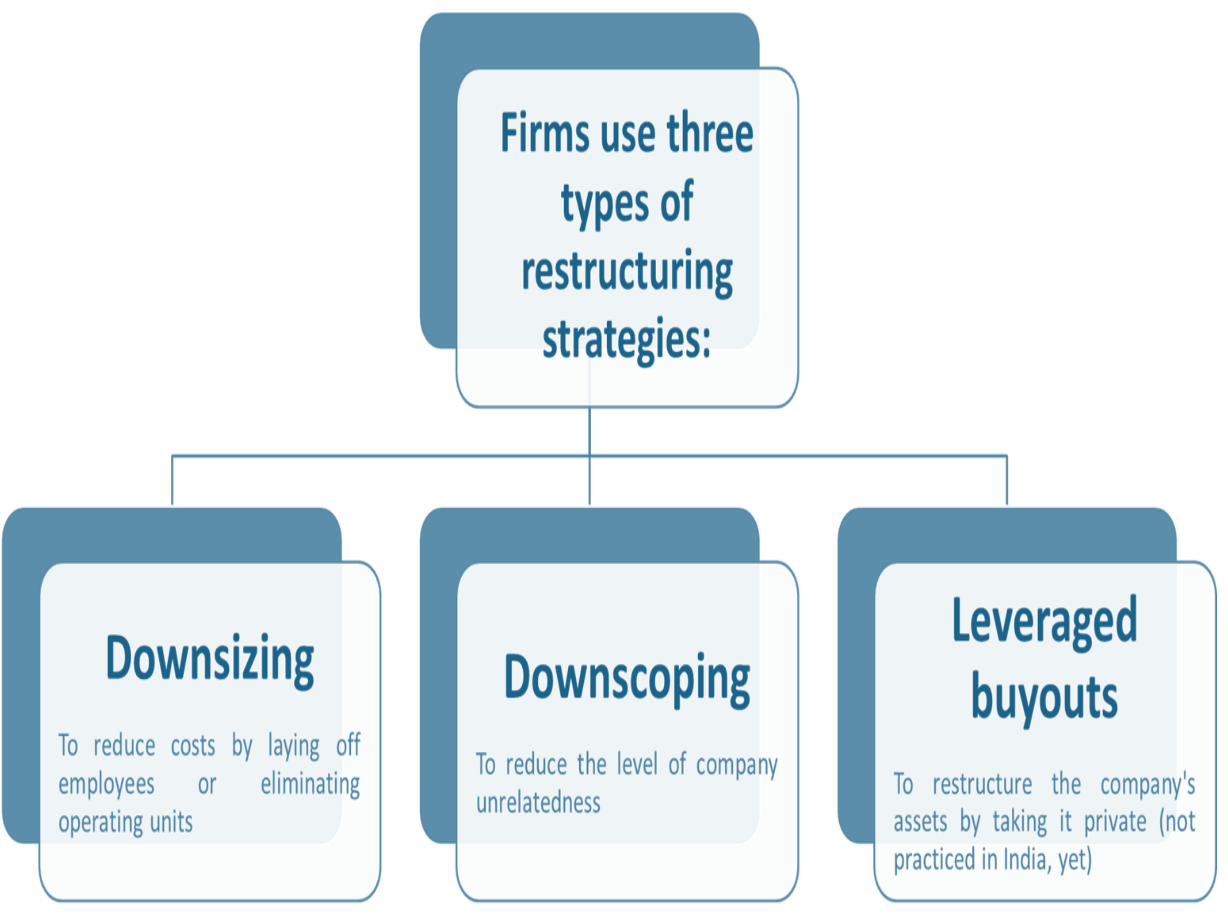
- Although restructuring strategies are generally used to deal with acquisitions that are not reaching expectations, firms sometimes use these strategies because of changes they have detected in their external environment.

- For example, opportunities sometimes surface in a firm's external environment that a diversified firm can pursue

because of the capabilities it has formed by integrating firms' operations.

- In such cases, restructuring may be appropriate to position the firm to create more value for stakeholders, given the environmental changes.

Restructuring Strategies



1. Downsizing

- Downsizing is a reduction in the number of a firm's employees and, sometimes, in the number of its operating units, but it may or may not change the composition of businesses in the company's portfolio.

- Thus, downsizing is an intentional proactive management strategy whereas "decline is an environmental or organizational phenomenon that occurs involuntarily and results in erosion of an organization's resource base."

- Downsizing is often a part of acquisitions that fail to create the value anticipated when the transaction was completed.

- Downsizing is often used when the acquiring firm paid too high of a premium to acquire the target firm.

- Once thought to be an indicator of organizational decline, downsizing is now recognized as a legitimate restructuring strategy.

- Reducing the number of employees and/or the firm's scope in terms of products produced and markets served occurs in firms to enhance the value being created as a result of completing an acquisition.

- When integrating the operations of the acquired firm and the acquiring firm, managers may not at first appropriately downsize. This is understandable in that "no one likes to lay people off or close facilities."

- However, downsizing may be necessary because acquisitions often create a situation in which the newly formed firm has duplicate organizational functions such as sales, manufacturing, distribution, human resource management, and so forth.

- Failing to downsize appropriately may lead to too many employees doing the same work and prevent the new firm from realizing the cost synergies it anticipated.

- Managers should remember that as a strategy, downsizing will be far more effective when they consistently use human resource practices that ensure procedural justice and fairness in downsizing decisions.

For Example – Twitter slashes nearly half its workforce as musk admits massive drop in revenue (4 November, 2022).

Major layoffs in the marketing, communications and engineering teams.

2.Downscoping

- Downscoping refers to divestiture, spin-off, or some other means of eliminating businesses that are unrelated to a firm’s core businesses.

- Downscoping has a more positive effect on firm performance than does downsizing because firms commonly find that downscoping causes them to refocus on their core business.

- Managerial effectiveness increases because the firm has become less diversified, allowing the top management team to better understand and manage the remaining businesses.

- Firms often use the downscoping and the downsizing strategies simultaneously.

- However, when doing this, firms avoid layoffs of key employees, in that such layoffs might lead to a loss of one or more core competencies.

- Instead, a firm that is simultaneously downscoping and downsizing becomes smaller by reducing the diversity of businesses in its portfolio.

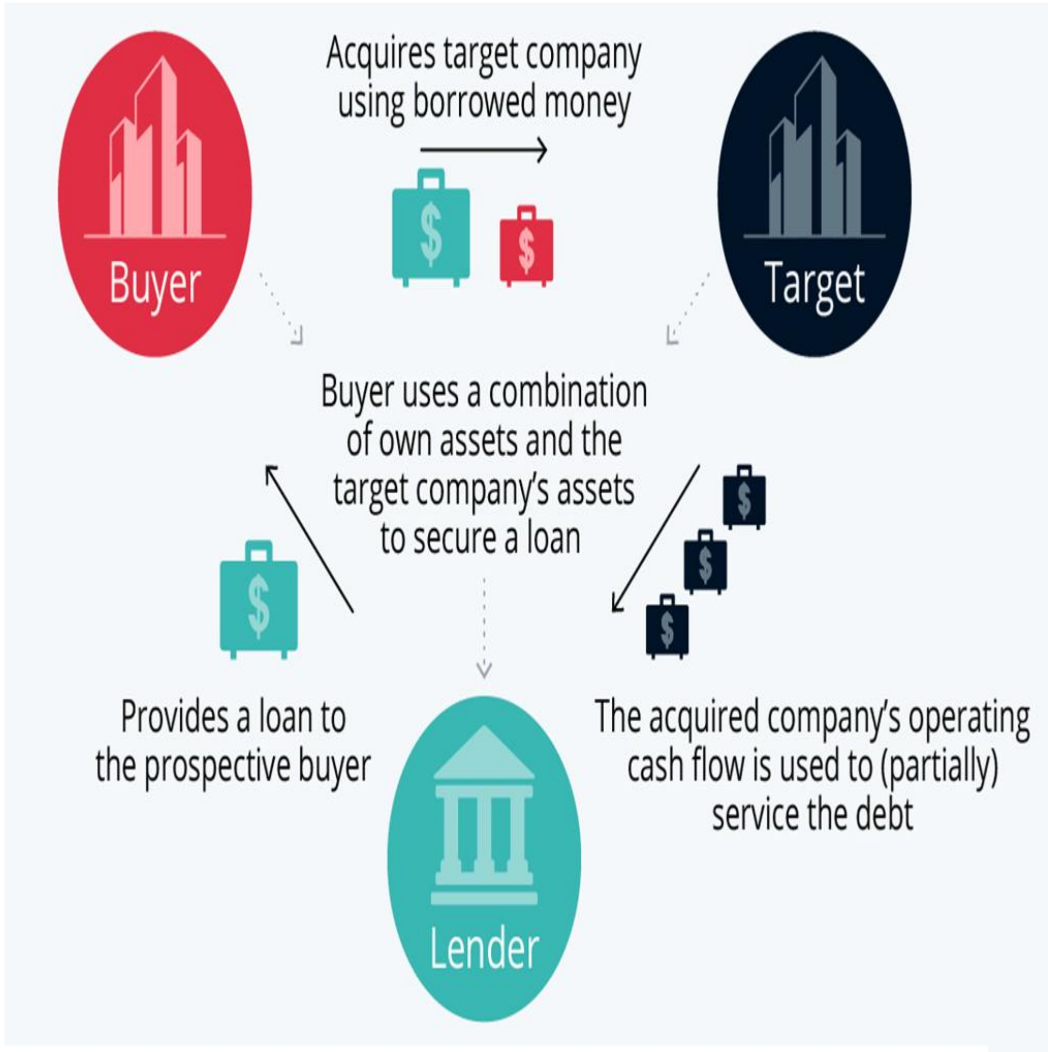
- Corporate strategies in recent years and have been refocusing on their core businesses. This downscoping has occurred simultaneously with increasing globalization and with more open markets that have greatly enhanced competition.

- By downscoping, these firms have been able to focus on their core businesses and improve their competitiveness

One of the best examples of downscoping can be the Tata group who have restructured its business to retain only 91 of its 250 business. The company has tried to build a more focussed approach without actually abandoning the best traditional manufacturing process.16-May-2017

3. Leveraged Buyouts

- A leveraged buyout (LBO) is the acquisition of another company using a significant amount of borrowed money (bonds or loans) to meet the cost of acquisition. The assets of the company being acquired are often used as collateral for the loans, along with the assets of the acquiring company.



- A leveraged buyout (LBO) is a restructuring strategy whereby a party (typically a private equity firm) buys all of a firm's assets in order to take the firm private. Once the transaction is completed, the company's stock is no longer traded publicly.

- Traditionally, leveraged buyouts were used as a restructuring strategy to correct for managerial mistakes or because the firm's managers were making decisions that primarily served their own interests rather than those of shareholders.

- Significant amounts of debt are commonly incurred to finance a buyout; hence, the term leveraged buyout.

- To support debt payments and to downscope the company to concentrate on the firm's core businesses, the new owners may immediately sell a number of assets.

- Management buyouts (MBOs), employee buyouts (EBOs), and whole-firm buyouts, in which one company or partnership purchases an entire company instead of a part of it, are the three types of LBOs.

Restructuring and Outcomes

Alternatives | Short-Term Outcomes | Long-Term Outcomes

Downsizing → Reduced labor costs

Downscoping → Reduced debt costs

Downscoping → Emphasis on strategic controls

Leveraged buyout → Emphasis on strategic controls

Leveraged buyout → High debt costs

Reduced labor costs → Loss of human capital

Reduced labor costs → Lower performance

Reduced debt costs → Higher performance

Emphasis on strategic controls → Higher performance

High debt costs → Higher risk

BCG Matrix

- A BCG matrix is a model used to analyze a business's products to aid with long-term strategic planning. The matrix helps companies identify new growth opportunities and decide how they should invest for the future.

- This model was developed by Bruce Henderson of the **Boston Consulting Group (BCG)**.

- Most companies offer a wide variety of products, but some deliver greater returns than others.

- The BCG matrix gives the business a framework for evaluating the success of each product to help the company determine which ones they should invest more money into and which they should eliminate altogether. It can also help companies identify a new product to introduce to the market.

- The matrix is divided into four quadrants based on market growth and relative market share.

Relative Market Share
High
Low
Market Growth Rate
High
Low
Stars
Question marks
Cash cows
Dogs

1. STARS

- Star units are leaders in the category.
- These products have –A significant market share, hence they bring the most cash to the business.
- A high growth potential that can be used to increase further cash inflow.
- Market growth rate and relative market share both are high
- Strongest position among all

Strategy: Hold

2. Cash Cows

- Cash cows are products with significant ROI but operating in a matured market which lacks innovation and growth. These products generate more cash than it consumes.
- Usually, these products finance other activities in progress (including stars and question marks).
- Market growth rate is low and relative market share is high
- Well established business

Strategy: Harvest

3. Question Marks

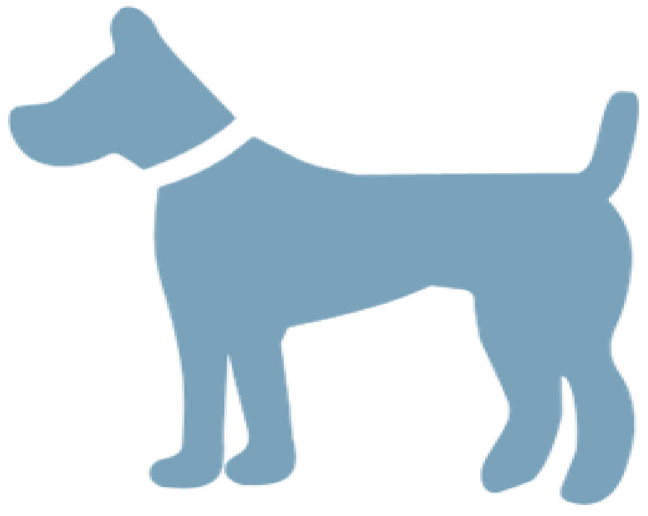
- Question marks have high growth potential but a low market share which makes their future potential to be doubtful.
- Since the growth rate is high here, with the right strategies and investments, they can become cash cows and ultimately stars. But they have a low market share so wrong investments can downgrade them to Dogs even after lots of investment.
- Also known as problem child

Strategy: Build

4. Dog

- Dogs hold a low market share and operate in a market with a low growth rate.
- Neither do they generate cash, nor do they require huge cash.
- In general, they are not worth investing in because they generate low or negative cash returns and may require large sums of money to support. Due to low market share, these products face cost disadvantages.
- Low market growth rate and low market share
- Weakest position among all

Strategy: Divest



PRODUCT LIFE CYCLE

INTRODUCTION

GROWTH

MATURITY

DECLINE

BCG matrix example – Apple Inc.

BCG Matrix of Apple

Market Growth

High

Stars

Question Marks

Market Share

High

Low

Cash Cows

Dogs

Low

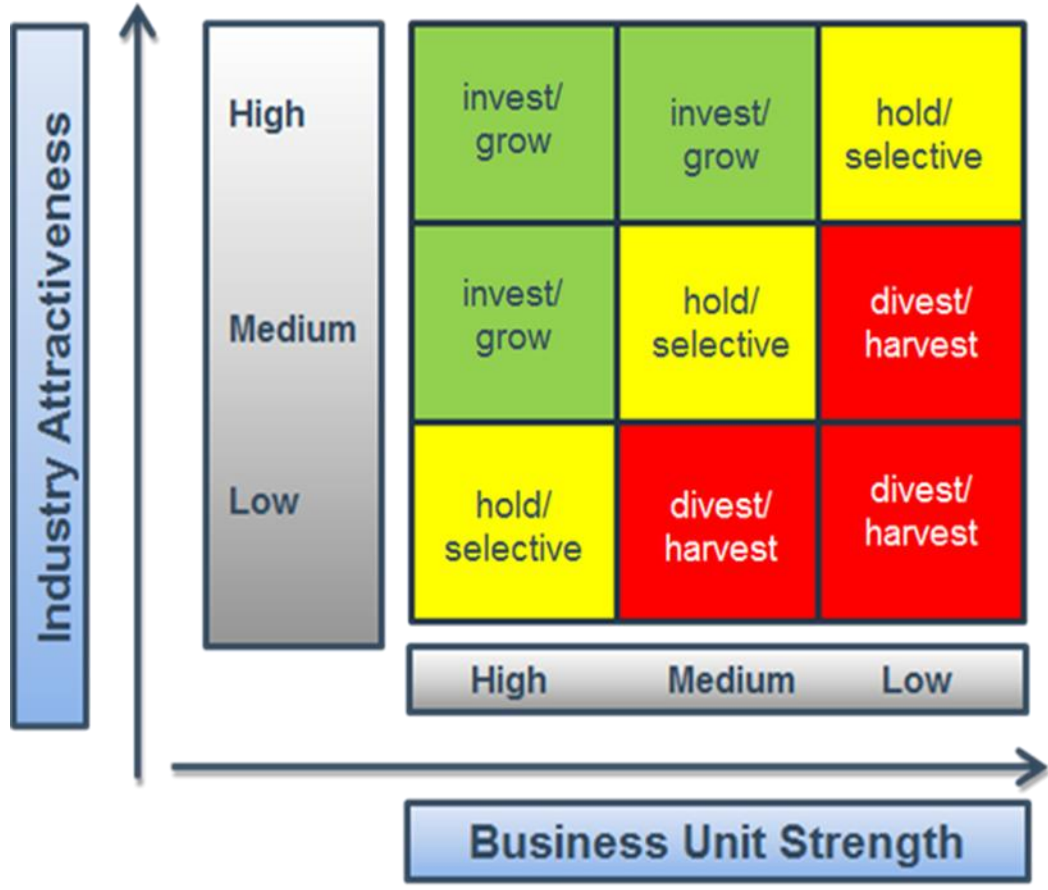
GE Matrix

- The GE-9 cell model or spot light matrix is a portfolio analysis technique, which was developed by **General Electric** (GE) Company along with McKinsey & Co. of the USA in order to overcome the loopholes of the BCG matrix.

- The BCG Matrix has been criticized a lot on its use of only one single dimension for analysis.

Unlike the BCG Matrix the GE-McKinsey Matrix uses multiple variables to determine the two dimensions:

1. Industry attractiveness
2. Business Unit strength



Industry attractiveness

- Factors affecting the industry attractiveness are market growth rate, market size, demand variability, market profitability etc. and all these factors are external to the organization.

Business Unit strength

- Internal factors such as assets, competencies, brand strength, profit margins and quality etc. make a competitive strength or business strength of organization.

- The GE Matrix fits perfectly in the analysis of the product portfolios of a company.

- For a company earning profits from just one source or one product is risky. Therefore, new product development or diversification is the only way out.

- On that note, just consider a massive giant like Unilever. You will be astonished to see the diversification in their product portfolio. Have a look!

Unilever

1. **Green zone**

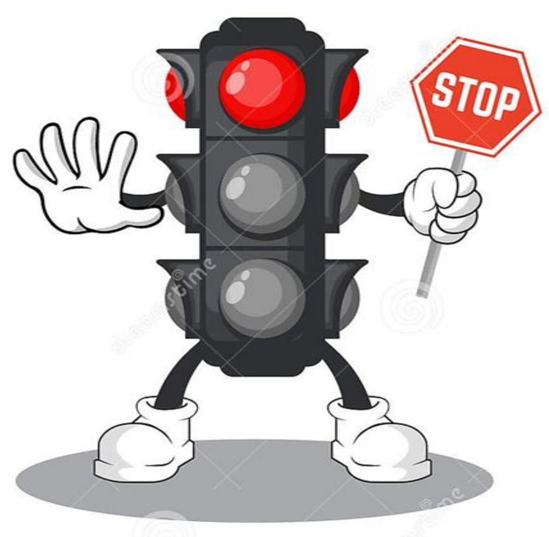
- Suggests you to 'go ahead', to grow and build, pushing you through expansion strategies. Businesses in the green zone attract major investment.

2. **Yellow zone**

- Cautions you to 'wait and see' indicating hold and maintain type of strategies aimed at stability.

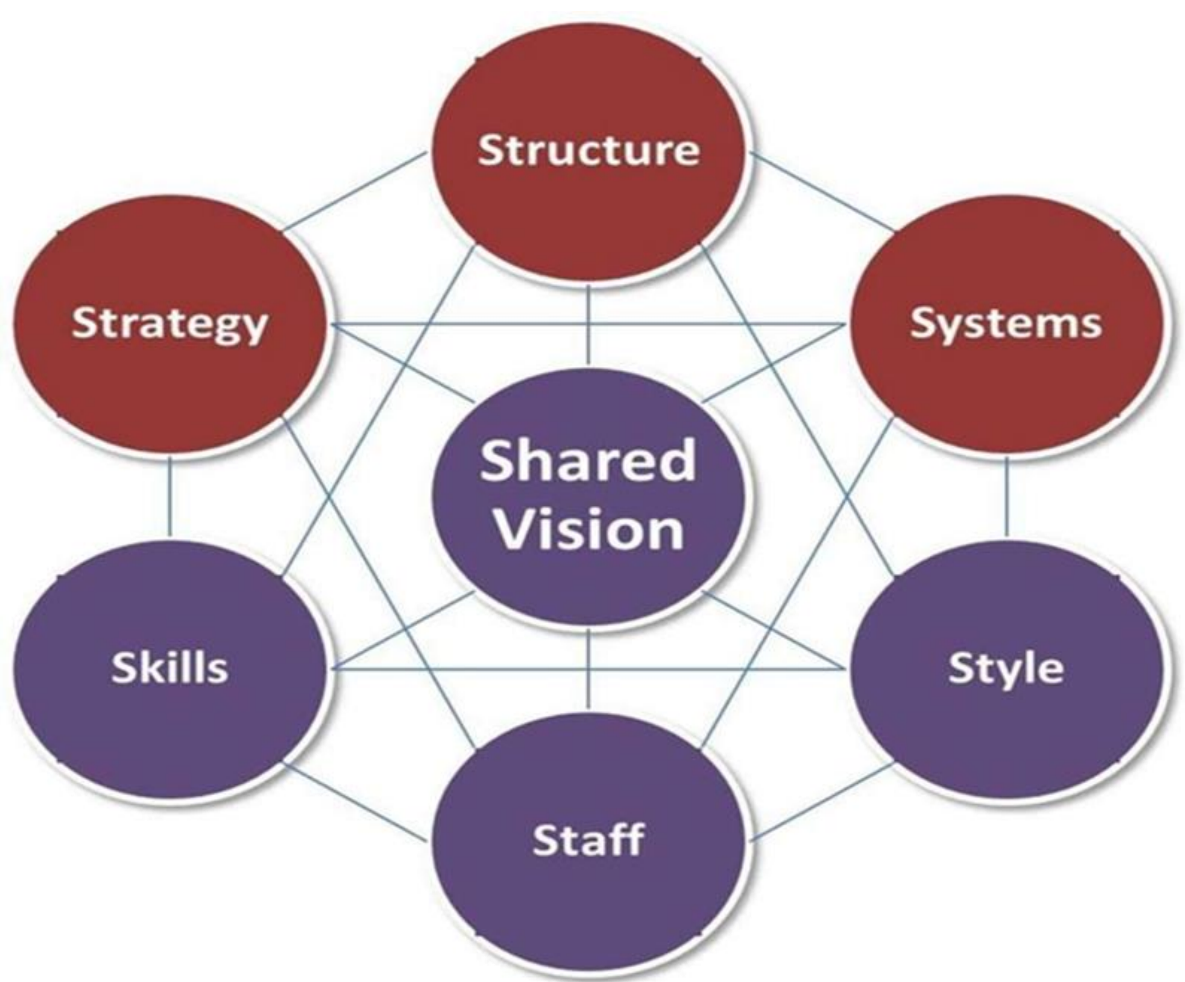
3. Red zone

- Indicates that you have to adopt turnover strategies of divestment and liquidation or rebuilding approach.



McKinsey 7s

- Developed in the early 1980s by Tom Peters and Robert Waterman, two consultants working at the McKinsey & Company consulting firm, the basic premise of the model is that there are seven internal aspects of an organization that need to be aligned if it is to be successful.



1. **Strategy:** this is your organization's plan for building and maintaining a competitive advantage over its competitors.
2. **Structure:** this is how your company is organized (how departments and teams are structured, including who reports to whom).
3. **Systems:** the daily activities and procedures that staff use to get the job done.
4. **Shared Values:** these are the core values of the organization and reflect its general work ethic. They were called "superordinate goals" when the model was first developed.
5. **Style:** the style of leadership adopted.
6. **Staff:** the employees and their general capabilities.
7. **Skills:** the actual skills and competencies of the organization's employees.

- The placement of Shared Values in the center of the model emphasizes that they are central to the development of all the other critical elements.

The Hard Ss & Soft Ss

HARD Ss	SOFT Ss
• Strategy	• Shared Values
• Structure	• Skills
• System	• Staff
	• Style

1. The Hard Elements

- The three factors which are considered as 'hard' elements under this model are strategy, structure, and systems.

- For most managers, these are going to be the elements that are easier to understand and quantify.

- In fact, these are probably the areas that you are currently spending most of your time, even if you don't think about them as such.

2. The Soft Elements

- The soft elements within this model are somewhat harder to define, and definitely more difficult to quantify.
- They are no less important, however, and the good leader will give them just as much time and attention as the previous group.

- **The 7-S model can be used in a wide variety of ways:**

- ✓ To help spot what you need to do to improve the performance of your company.
- ✓ Very useful when planning for change in the organization
- ✓ Identify what's not working in your organization

MCQs

Sr.no.	Questions	Answers
1	What is a cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage?	strategic alliance
2	In strategic alliance, which factors are combined to create a competitive advantage?	Resources and capabilities
3	What can be created by combining resources and capabilities in strategic alliance?	Competitive advantage
4	"strategic alliances have become a _______________ of many firms' competitive strategy."	Cornerstone
5	A competitive advantage developed through a cooperative strategy is often called as which advantage?	*collaborative* or *relational* advantage
6	What enhances the firm's marketplace success?	competitive advantages
7	Especially which competitors establish multiple strategic alliances?	Large global competitors
8	How many types of strategic alliance are there, if we classify it by their ownership arrangements?	Three
9	Which is a strategic alliance in which two or more firms create a legally independent company to share some of their resources and capabilities to develop a competitive advantage?	Joint venture

10	What is an important source of competitive advantage for many firms?	Tacit knowledge
11	How partners in a joint venture typically own and contribute to the venture's operations?	Equally
12	Which is an alliance in which two or more firms own different percentages of the company they have formed by combining some of their resources and capabilities to create a competitive advantage?	An equity strategic alliance
13	Which is an alliance in which two or more firms develop a contractual relationship to share some of their unique resources and capabilities to create a competitive advantage?	A nonequity strategic alliance
14	In which type of alliance, firms do not establish a separate independent company and therefore do not take equity positions?	A nonequity strategic alliance
15	Which strategic alliance is less formal and demand fewer partner comitments than other alliances?	A nonequity strategic alliance
16	Which strategy helps firm to divrsify in terms of products offered or market served or both?	Corporate level cooperative strategy
17	What becomes an appropriate option, when a firm seeks to diversify into markets in which the host nation's government prevents mergers and acquisitions?	Alliances
18	What can be used as a way to determine whether the partners might benefit from a future merger or acquisition between them?	Alliance

19	How many types of cooperative strategic alliances are there?	Three
20	Diversifying alliance, synergistic alliance and franchise are which type of alliances?	Cooperative strategic alliances
21	In which corporate-level cooperative strategy firms share some of their resources and capabilities to diversify into new product or market areas?	A diversifying strategic alliance
22	In which corporate-level cooperative strategy firms share some of their resources and capabilities to create economies of scope?	A synergistic strategic alliance
23	Which strategic alliance create synergy across multiple functions or multiple businesses between partner firms?	synergistic strategic alliances
24	What is a contractual agreement between two legally independent companies whereby the franchisor grants the right to the franchisee to sell the franchisor's product or do business under its trademarks in a given location for a specified period of time?	Franchise
25	Which is a corporate-level cooperative strategy in which a firm (the franchisor) uses a franchise as a contractual relationship to describe and control the sharing of its resources and capabilities with partners (the franchisees)?	Franchising
26	A cross-border strategic alliance is which type of strategy?	An international cooperative strategy

27	In which international cooperative strategy firms with headquarters in different nations decide to combine some of their resources and capabilities to create a competitive advantage?	A cross-border strategic alliance
28	Which strategic alliance have the potential to help firms use their resources and capabilities to create value in locations outside their home market?	A cross-border strategic alliance
29	In which transaction one firm buys another firm with the intent of more effectively using a core competence by making the acquired firm a subsidiary within its portfolio of business?	Acquisition
30	"In acquisition there are two firms combining, where one firm looses its identity and joins the giant firm." Is this statement true or false?	True
31	What is the step a firm takes when they can't compete in the current industrial environment?	Acquisition
32	According to acquisition, if you cant beat your enemy ____________________?	Shake hands with them
33	In acquisition, Company A+ Company B= ?	Company A
34	Acquisition is also known as_______________?	A takeover or a buyout
35	Due to which kind of expense merger is costly as compared to acquisition?	Higher legal cost
36	Merger is which kind of decision?	Mutual
37	Through __________ shareholders can increase their net worth?	Merger
38	Among merger and acquisition, which one is more time consuming?	Merger

39	In which process the acquirer does not experience the dilution of ownership?	Acquisition
40	Which is a strategy through which a firm changes its set of businesses or its financial structure	Restructuring
41	Restructuring is which kind of phenomenon?	Global
42	Which strategies are generally used to deal with acquisitions that are not reaching expectations, firms sometimes use these strategies because of changes they have detected in their external environment?	Restructuring
43	How many types of restructuring strategies are there?	Three
44	downsizing, downscoping, and leveraged buyouts are which type of strategies?	Restructuring strategy
45	In which restructuring strategy, reduction in the number of a firm's employees and in the number of its operating units takes place?	Downsizing
46	"Downsizing may or may not change the composition of businesses in the company's portfolio." Is this statement true or false?	True
47	Downsizing is an ________________________ strategy whereas "decline is an environmental or organizational phenomenon that occurs involuntarily and results in erosion of an organization's resource base."	Intentional proactive management
48	_____________is often a part of acquisitions that fail to create the value anticipated when the transaction was completed.	Downsizing
49	Downsizing is now recognized as a _____________________ strategy.	legitimate restructuring

50	What often create a situation in which the newly formed firm has duplicate organizational functions such as sales, manufacturing, distribution, human resource management, and so forth?	Acquisitions
51	By constantly using which activity, managers can ensure procedural justice and fairness in downsizing decisions.	Human resource practices
52	In downsizing decisions, what can be esured when managers constantly use human resource practices?	Procedural justice and fairness in downsizing
53	What refers to divestiture, spin-off, or some other means of eliminating businesses that are unrelated to a firm's core businesses?	Downscoping
54	As compared to downsizing, downscoping has which kind of effect on firm's performance?	Positive effect
55	What causes firms to refocus on their core business?	Downscoping
56	What can be a result when the firm has become less diversified, allowing the top management team to better understand and manage the remaining businesses?	Increased managerial effectiveness
57	In Latin America, conglomerates are called____________.	*Grupos*
58	The trend in Europe, Latin America, and Asia has been to build________________.	Conglomerates
59	This downscoping has occurred simultaneously with ________________ and with more open markets that have greatly enhanced competition.	Increasing globalization

60	By which restructuring strategy, firms have been able to focus on their core businesses and improve their competitiveness?	Downscoping
61	What is LBO?	leveraged buyout
62	Which is a restructuring strategy whereby a party (typically a private equity firm) buys all of a firm's assets in order to take the firm private?	LBO
63	What is used as a restructuring strategy to correct managerial mistakes or because the firm's managers were making decisions that primarily served their own interests rather than those of shareholders?	LBO
64	What is MBO?	Management buyouts
65	What is EBO?	Employee buyouts
66	When one company or partnership purchases an entire company instead of a part of it, is called___________?	Whole firm buyouts
67	Which is a strategy through which the firm sells its goods or services outside its domestic market?	An international strategy
68	One of the primary reasons for implementing an international strategy is that international markets yield _______________________________.	Potential new opportunities
69	Increased market size, ROI, economies of scale and location advantage are primary reasons of _____________?	International strategy
70	How many types of international strategies are there?	Two

71	Business level and corporate level strategies are which type of strategy?	International strategy
72	What is SBU?	Strategic business unit
73	Which corporate level strategy focuses on variations of competition within each country?	Multi domestic
74	Multi domestic strategy deals with uncertainty from __________________.	Differences across markets
75	"As per multi domestic strategy firms provide customized products to meet local customers' specific needs and preferences." Is this statement true or false?	True
76	As per which corporate level strategy, firm offers standardized products across country markets, with the competitive strategy being dictated by the home office?	Global strategy
77	Global strategy emphasizes on __________________.	Economies of scale
78	As per global strategy, strategic & operating decisions centralized at which office?	Home office
79	What kind of responsiveness a global strategy is having towards local market opportunities?	Less
80	Which corporate level strategy is being used increasingly?	Transnational strategy
81	"Transnational strategy is becoming increasingly necessary to compete in international markets." True or false?	True
82	How many international entry modes are available?	Five
83	Which entry mode involves low expense to establish operations in host country?	Exporting

84	Do exporting involves high transportation costs?	Yes
85	Exporting offers low control over____________________.	Marketing and distribution
86	Which entry mode involves risk of licensee imitating technology and product for own use?	Licencing
87	Licensing offers low control over____________________.	Manufacturing and marketing
88	Which entry mode involves shared risks and resources?	Strategic alliance
89	Strategic alliance facilitate development of ____________________.	Core competencies
90	Which entry mode allows quick access to market?	Acquisitions
91	Which kind of difficulty is involved in acquisitions?	Integration difficulties
92	Does acquisition have complex negotiations and transaction requirements?	Yes
93	Which entry mode establishes entirely new subsidiary?	New wholly owned subsidiary
94	New wholly owned subsidiary has the highest potential returns and carries high risk. True or false?	True
95	When firm expands sales of its goods or services across the borders of global regions and countries into different geographic locations or markets, it is known as ________.	International diversification

96	What specifies actions a firm takes to gain a competitive advantage by selecting & managing a group of different businesses competing in different product markets?	Corporate level strategy
97	Which kind of firms vary according to their level of diversification and the connections between and among their businesses?	Diversified firms
98	The more links among businesses, the more_______________ is the relatedness of diversification.	Constrained
99	What refers to the absence of direct links between businesses?	Unrelatedness
100	Which strategy is a corporate- level strategy wherein the firm generates 95 percent or more of its sales revenue from its core business area?	Single-business diversification
101	A firm uses which strategy when it is generating more than 30 percent of its revenue outside a dominant business and whose businesses are related to each other in some manner?	Related diversification corporate-level strategy
102	Which strategy is being used when the links between the diversified firm's businesses are rather direct?	A related constrained diversification strategy
103	With a related constrained strategy, a firm shares_____________and_______________ between its businesses.	Resources, activities
104	Which strategy is an integrated and coordinated set of commitments and actions the firm uses to gain a competitive advantage by exploiting core competencies in specific product market?	Business-level strategy

105	Which strategy is an integrated set of actions taken to produce goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors?	Cost leadership strategy
106	Firms using the cost leadership strategy commonly sell which kind goods or services?	Standardized
107	Which strategy is an integrated set of actions taken to produce goods or services that customers perceive as being different in ways that are important to them?	Differentiation strategy
108	What is a new way to solve the customer's problem— through a new product or service development—that benefits both the customer and the sponsoring company?	Product innovation
109	Firms must be able to produce differentiated products at competitive costs to reduce which pressure on the price that customers pay?	Upward pressure
110	"When a product's differentiated features are produced at noncompetitive costs, the price for the product can exceed what the firm's target customers are willing to pay." Is this true or false?	True
111	Through the differentiation strategy, the firm produces which kind of products for customers who value differentiated features more than they value low cost?	Nonstandardize d
112	what is TQM?	Total quality management

113	What is the full form of BCG matrix?	Boston consulting group matrix
114	BCG matrix is also known as _________________________?	Growth/share matrix
115	BCG matrix is designed to help a business considering growth opportunities by reviewing its _____________________________ to decide where to invest, to discontinue or develop products.	Portfolio of products
116	How many grids BCG matix consists?	Four
117	In which grid market growth rate and relative market share both are high ?	Star
118	What is the strategy of star?	Hold
119	In question mark, market growth rate is ________ and market share is _________.	High, low
120	Question mark is also known as ______________.	Problem child
121	What is the strategy in question mark?	Build
122	In which grid market growth rate is low and relative market share is high?	Cash cow
123	What can be the strategy in cash cow?	Harvest
124	In which grid market growth rate and market share both are low?	Dog
125	What can be the strategy in dog?	Divest
126	Which is the strongest position in BCG matrix?	Star
127	Which is the weakest position in BCG matrix?	Dog
128	Which grid measures business strength against industry attractiveness?	The nine cell grid

129	Who developed GE matrix?	Mckinsey & company consultancy group
130	GE matrix was developed in which year?	1970s
131	How many grids are there in GE matrix?	Nine
132	What can be the strategy when industry attractiveness is high and business unit strength is strong?	Invest / grow
133	What can be the strategy when industry attractiveness and business unit strength both are low?	Divest / harvest
134	What can be the strategy when industry attractiveness and business unit strength both are average?	Hold
135	Who developed Mckinsey 7S framework?	Tom Peters and Robert Waterman
136	When did Mckinsey 7S framework was developed?	Early 1980s
137	What determines how you're gonna beat your competitors and succeed in your mission?	Strategy
138	_____________are the resources and procedures that your people use to do their work.	Systems
139	What refers to the activities organizations do at its best and for which they are known?	Skills
140	What determines the way you work and the way you solve problems?	Shared values

MODULE – 4

Nuances of Strategy Implementation

- Strategic implementation can be defined as turning strategy into action for attaining the strategic objectives and goals.
- Since, implementing the strategy is more important than selecting it, hence, it is very important for the strategies to consider various factors while implementing.
- The strategy selected has to be well performed for the purpose of attaining the strategic objectives.
- Even a superior strategy tends to fail in the absence of efficient implementation.

- **Nature of Strategy Implementation**

1. Action oriented
2. Require leadership
3. Employee involvement
4. Varied contexts
5. Challenging management jobs

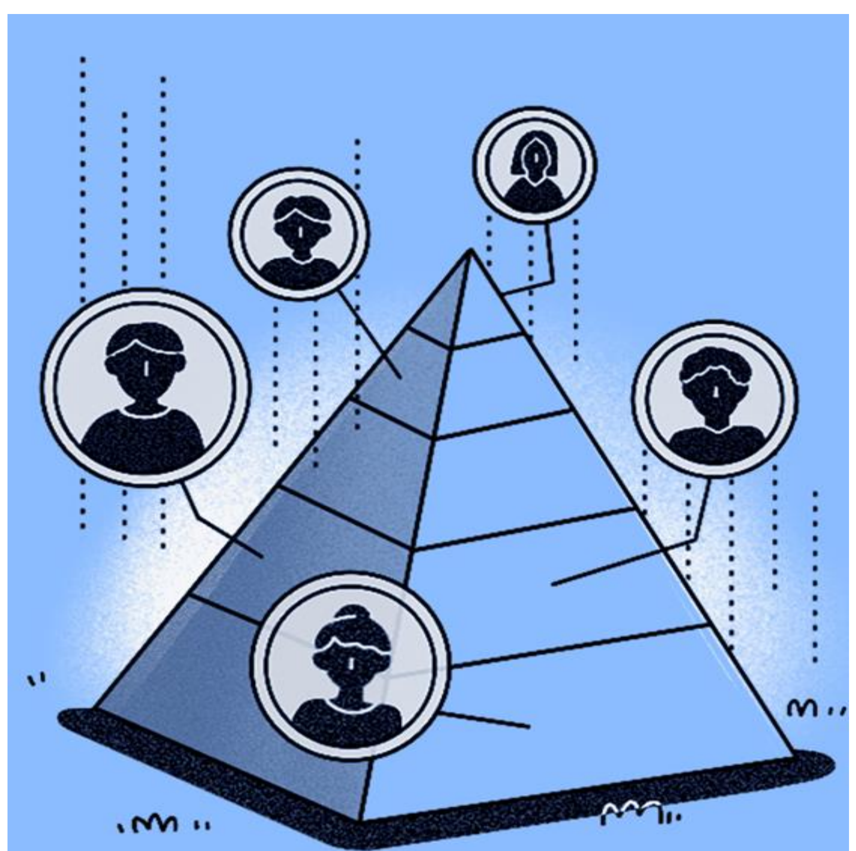
Organizational Structure

- Organizational structure specifies the firm's formal reporting relationships, procedures, controls, and authority and decision-making processes.

- Developing an organizational structure that effectively supports the firm's strategy is difficult, especially because of the uncertainty about cause-effect relationships in the global economy's rapidly changing and dynamic competitive environments.

- When a structure's elements (e.g., reporting relationships, procedures, etc.) are properly aligned with one another, the structure facilitates effective use of the firm's strategies.

- Thus, organizational structure is a critical component of effective strategy implementation processes.



- A firm's structure specifies the work to be done and how to do it, given the firm's strategy or strategies. Thus, organizational structure influences how managers work and the decisions resulting from that work.

- Supporting the implementation of strategies, structure is concerned with processes used to complete organizational tasks.

- Having the right structure and process is important.

- For example, many product-oriented firms have been moving to develop service businesses associated with those products. This has been a strategy used by many of businesses, such as medical equipment.

- However, research suggests that developing a separate division for such services in product-oriented companies, rather than managing the service business within the product divisions, leads to additional growth and profitability in the service business.

- Effective structures provide the stability a firm needs to successfully implement its strategies and maintain its current competitive advantages while simultaneously providing the flexibility to develop advantages it will need in the future.

- Structural stability provides the capacity the firm requires to consistently and predictably manage its daily work routines while structural flexibility provides the opportunity to explore competitive possibilities and

then allocate resources to activities that will shape the competitive advantages the firm will need to be successful in the future.

- An effectively flexible organizational structure allows the firm to exploit current competitive advantages while developing new ones that can potentially be used in the future.

For example, the management system at Cisco is said to provide “speed, skill, and flexibility.”

Cisco is able to accomplish this by using team-based processes as an overlay to its basic structure, allowing it to exploit its current advantages while exploring for new ones.

- Modifications to the firm's current strategy or selection of a new strategy call for changes to its organizational structure.

- However, research shows that once in place, organizational inertia often inhibits efforts to change structure, even when the firm's performance suggests that it is time to do so.

- In his pioneering work, Alfred Chandler found that organizations change their structures when inefficiencies force them to.

- Firms seem to prefer the structural status quo and its familiar working relationships until the firm's performance declines to the point where change is absolutely necessary.

- For example, necessity is obviously the case for General Motors given that it went into bankruptcy to force the required restructuring.

Organizational Controls

- Organizational controls are an important aspect of structure.

- Organizational controls guide the use of strategy, indicate how to compare actual results with expected results, and suggest corrective actions to take when the difference is unacceptable.

- When fewer differences separate actual from expected outcomes, the organization's controls are more effective.

- It is difficult for the company to successfully exploit its competitive advantages without effective organizational controls.

- Properly designed organizational controls provide clear insights regarding behaviors that enhance firm

performance. Firms use both strategic controls and financial controls to support using their strategies.

- Strategic controls are largely subjective criteria intended to verify that the firm is using appropriate strategies for the conditions in the external environment and the company's competitive advantages.

- Thus, strategic controls are concerned with examining the fit between what the firm might do (as suggested by opportunities in its external environment) and what it can do (as indicated by its competitive advantages).

- Effective strategic controls help the firm understand what it takes to be successful.

- Strategic controls demand rich communications between managers responsible for using them to judge the firm's performance and those with

primary responsibility for implementing the firm's strategies (such as middle and first-level managers). These frequent exchanges are both formal and informal in nature.

- Organizational controls guide the use of strategy, indicate how to compare actual results with expected results, and suggest corrective actions to take when the difference is unacceptable.

- Strategic controls are largely subjective criteria intended to verify that the firm is using appropriate strategies for the conditions in the external environment and the company's competitive advantages.

- Financial controls are largely objective criteria used to measure the firm's performance against previously established quantitative standards.

Relationships between Strategy and Structure

- Strategy and structure have a reciprocal relationship. This relationship highlights the interconnectedness between strategy formulation and strategy implementation.

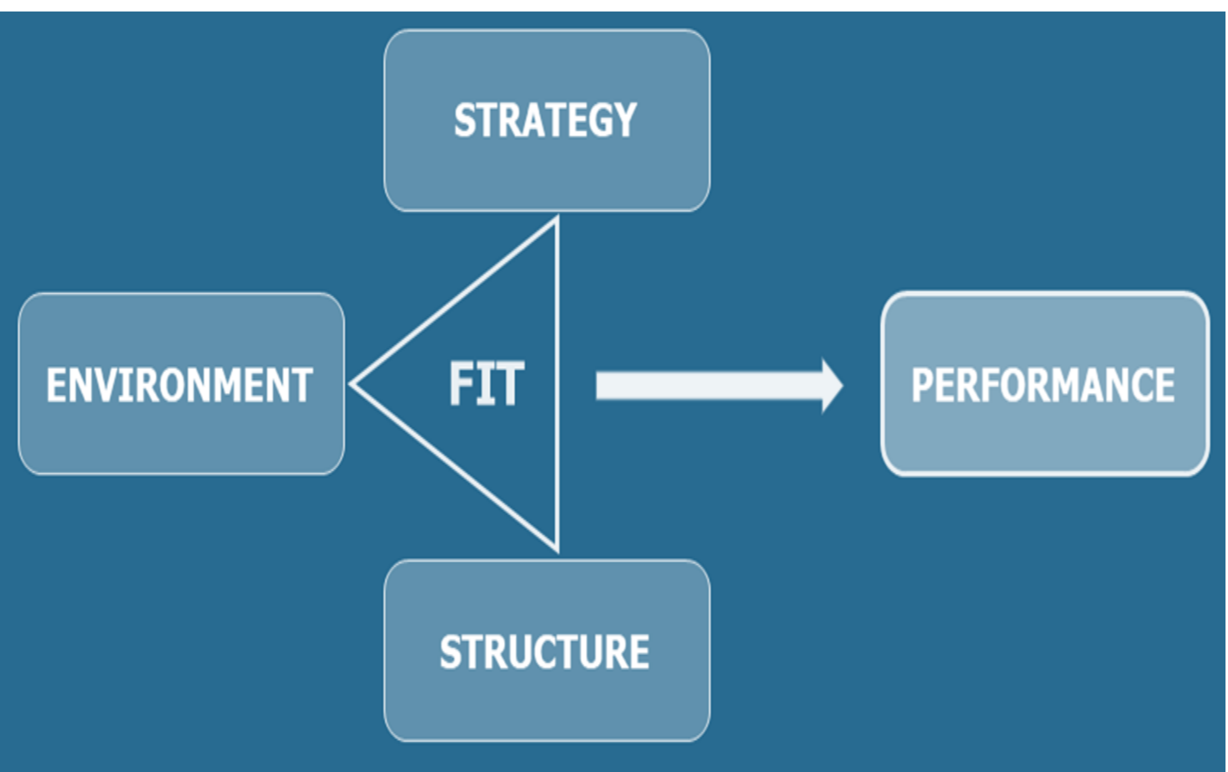
- In general, this reciprocal relationship finds structure flowing from or following selection of the firm's strategy.

- Once in place though, structure can influence current strategic actions as well as choices about future strategies.

- The general nature of the strategy/structure relationship means that changes to the firm's strategy create the need to change how the organization completes its work.

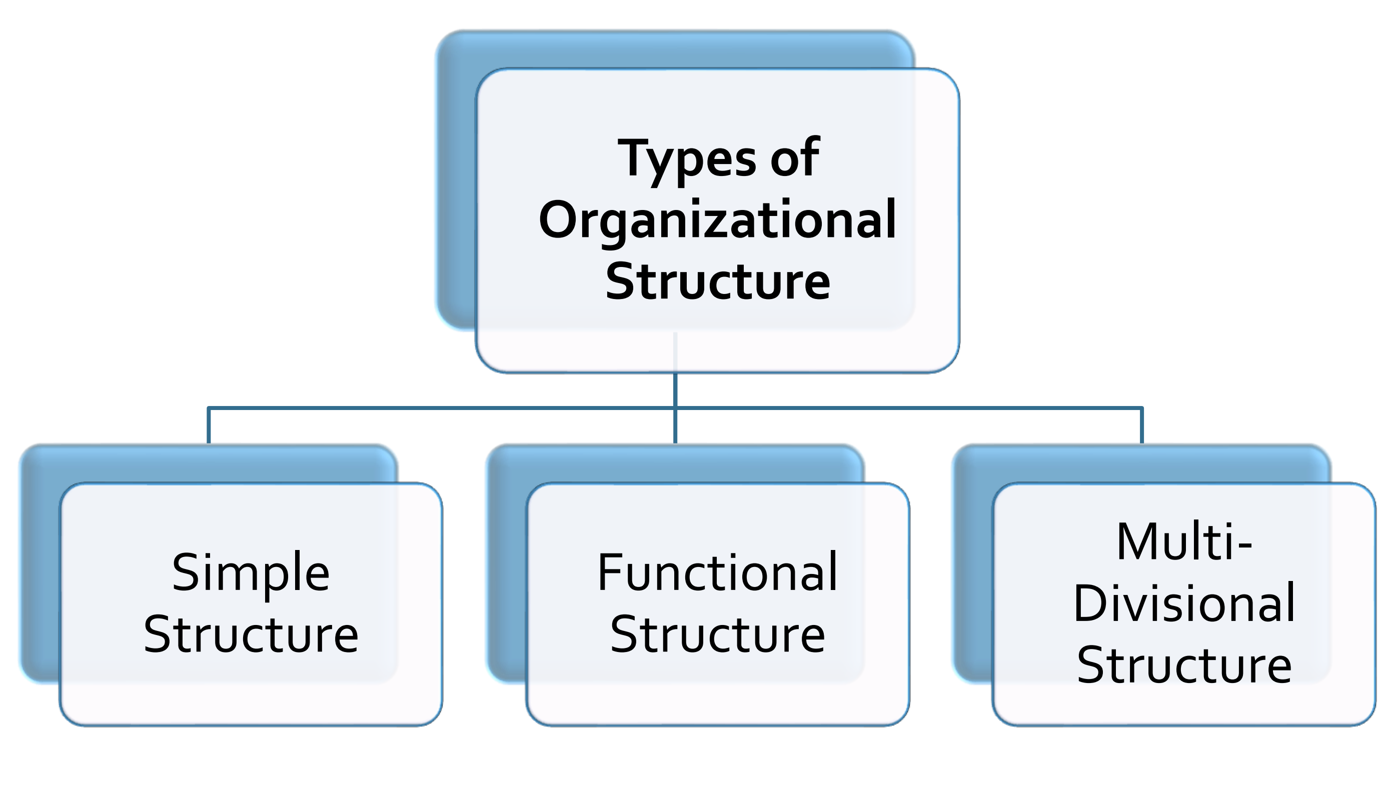
- In the "structure influences strategy" direction, firms must be vigilant in their efforts to verify that how their structure calls for work to be completed remains consistent with the implementation requirements of chosen strategies.

- Research shows, however, that "strategy has a much more important influence on structure than the reverse."



- Regardless of the strength of the reciprocal relationships between strategy and structure, those choosing the firm's strategy and structure should be committed to matching each strategy with a structure that provides the stability needed to use current competitive advantages as well as the flexibility required to develop future advantages.

- Therefore, when changing strategies, the firm should simultaneously consider the structure that will be needed to support use of the new strategy; properly matching strategy and structure can create a competitive advantage.



1.Simple Structure

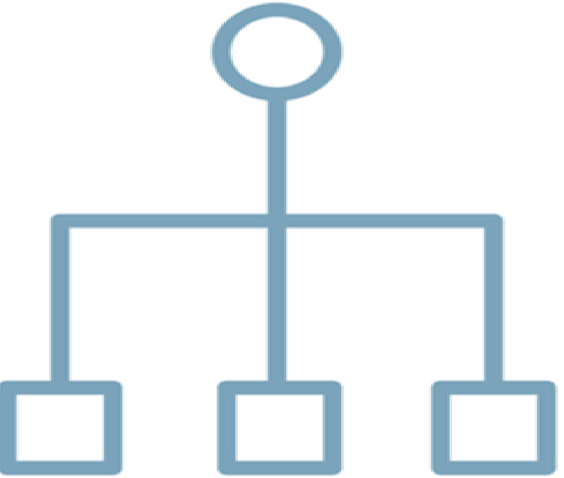
- The **simple structure** is a structure in which the owner-manager makes all major decisions and monitors all activities while the staff serves as an extension of the manager's supervisory authority.

- Typically, the owner-manager actively works in the business on a daily basis.

- Frequent and informal communications between the owner-manager and employees make coordinating the work to be done relatively easy.

- The simple structure is matched with focus strategies and business level strategies, as firms implementing these strategies commonly compete by offering a single product line in a single geographic market.

- Local restaurants, repair businesses, and other specialized enterprises are examples of firms using the simple structure.



- As the small firm grows larger and becomes more complex, managerial and structural challenges emerge. For example, the amount of competitively relevant information requiring analysis substantially increases, placing significant pressure on the owner manager.

- Additional growth and success may cause the firm to change its strategy. Even if the strategy remains the same, the firm's larger size dictates the need for more sophisticated workflows and integrating mechanisms.

- At this evolutionary point, firms tend to move from the simple structure to a functional organizational structure.

2. Functional Structure

- The **functional structure** consists of a chief executive officer and a limited corporate staff, with functional line managers in dominant organizational areas such as production, accounting, marketing, R&D, engineering, and human resources.

- This structure allows for functional specialization, thereby facilitating active sharing of knowledge within each functional area.

- Knowledge sharing facilitates career paths as well as professional development of functional specialists.

- Board of Directors
  - CEO
    - Sales & Marketing
      - Field Sales Force
      - E-commerce & Direct Sales
      - Customer Service
    - Production
      - Component Manufacture
      - Product Assembly
      - Quality Control
    - Human Resources
    - Finance
      - Management Accounting
      - Financial Accounting
    - Research & Development
    - Purchasing

- However, a functional orientation can negatively affect communication and coordination among those representing different organizational functions.

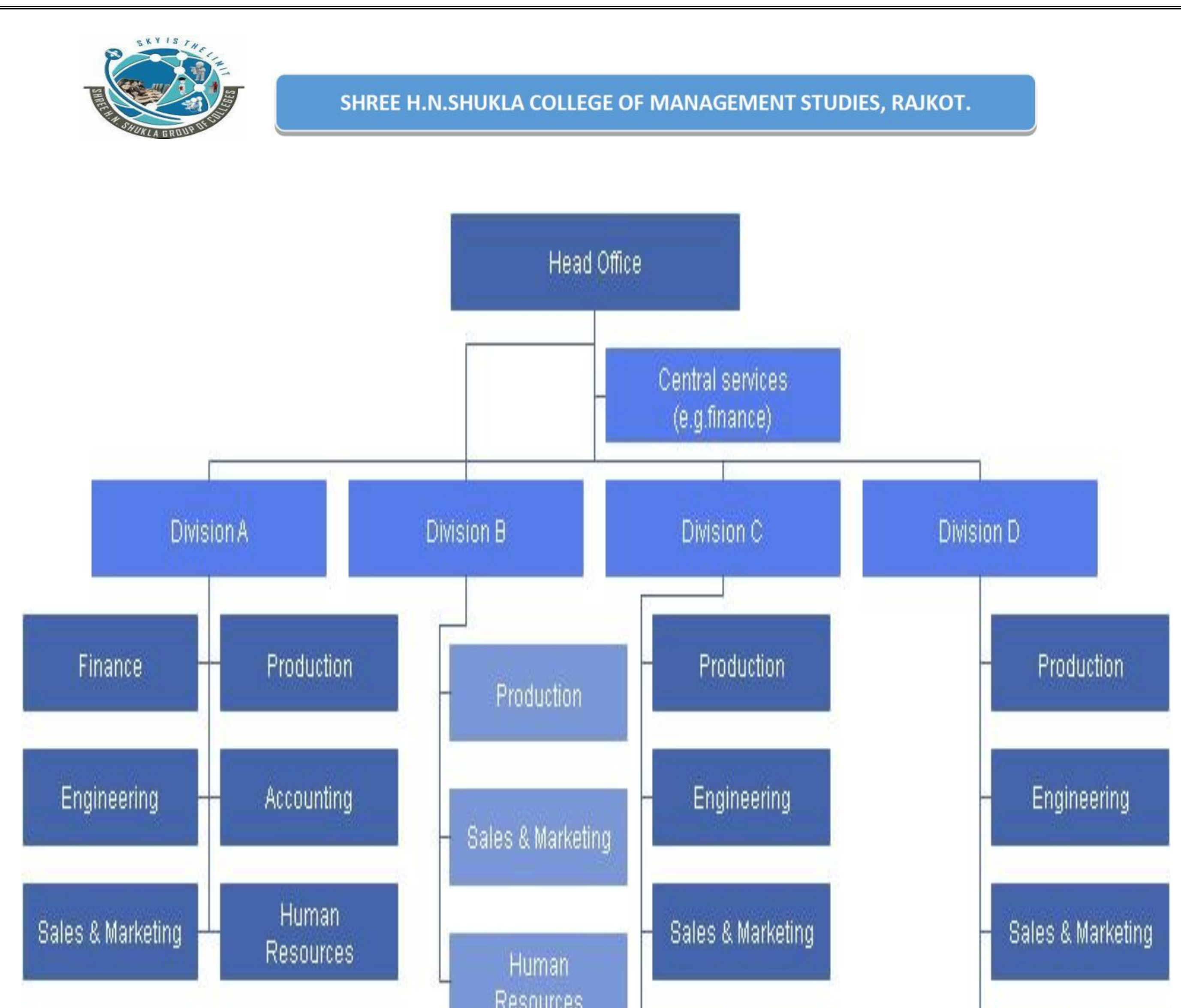
- For this reason, the CEO must work hard to verify that the decisions and actions of individual business functions promote the entire firm rather than a single function.

- The functional structure supports implementing business-level strategies and some corporate-level strategies (e.g., single or dominant business) with low levels of diversification.

- When changing from a simple to a functional structure, firms want to avoid introducing value-destroying bureaucratic procedures such as failing to promote innovation and creativity.

3. Multidivisional Structure

- With continuing growth and success, firms often consider greater levels of diversification.
- Successfully using a diversification strategy requires analyzing substantially greater amounts of data and information when the firm offers the same products in different markets (market or geographic diversification) or offers different products in several markets (product diversification).
- In addition, trying to manage high levels of diversification through functional structures creates serious coordination and control problems, a fact that commonly leads to a new structural form.



- The **multidivisional (M-form) structure** consists of a corporate office and operating divisions, each operating division representing a separate business or profit center in which the top corporate officer delegates responsibilities for day-to-day operations and business unit strategy to division managers.

- Each division represents a distinct, self-contained business with its own functional hierarchy.

- **As initially designed, the M-form was thought to have three major benefits:**

1. It enabled corporate officers to more accurately monitor the performance of each business, which simplified the problem of control;
2. It facilitated comparisons between divisions, which improved the resource allocation process; and
3. It stimulated managers of poorly performing divisions to look for ways of improving performance.

- Active monitoring of performance through the M-form increases the likelihood that decisions made by managers heading individual units will be in stakeholders' best interests.

- Because diversification is a dominant corporate-level strategy used in the global economy, the M-form is a widely adopted organizational structure.

Corporate Social Responsibility

- In defining or re-defining company mission, strategic managers must recognize the legitimate rights of the firm's claimants. These includes not only stock holders and employees but also outsiders affected by the firm's actions.

- CSR can be defined as a responsibility of company towards its stake holders.

- CSR refers to those activities through which companies control their actions and check whether they are following ethical and legal norms.

- CSR should be followed voluntarily by each and every company whether it is small or big, multinational or local.

- As CSR concept is based on ethics, companies following CSR policies always strive to develop the society and environment.

Types of CSRs

1. **Economic Responsibility:** Living up to economic responsibilities requires managers to maximize profits whenever possible. It also includes the providing of goods and services to society at reasonable cost, providing productive jobs and timely payment of taxes.

2. **Legal Responsibilities:** Reflects Firm's obligations to comply with the laws that regulates business activities. It includes labeling laws and consumer safety and pollution laws.

3. **Ethical Responsibilities:** Reflects company's notion of right or proper business behavior. Firms are expected but not required to behave Ethically (some Actions that are legal might be considered unethical.

4. **Discretionary Responsibilities:** Responsibilities that are voluntarily assumed by business organizations. It includes public relations activities, good citizenship and CSR.

Social Responsibility of Business with respect to different Stakeholders

SOCIAL RESPONSIBILITY OF BUSINESS WITH RESPECT TO DIFFERENT STAKEHOLDERS

Shareholders or Owners

Workers / Employees

Customers

Suppliers

Creditors

Government

Society / Community

1. Responsibility towards Shareholders or Owners

1. Reasonable dividend
2. Soundness
3. Information
4. Protection of Assets

2. Responsibility towards Workers / Employees

1. Pay fair wages
2. Provide good working conditions
3. Provide adequate service benefits
4. Extend and gain cooperation
5. Recognize employee's rights
6. Provides opportunities for growth

3. Responsibility towards Customers

1. Need satisfaction
2. Regular flow of goods
3. Courteous service
4. Precise information
5. Fair trade practices

4. Responsibility towards Suppliers

1. Being precise about the specification of goods ordered
2. Contracting on fair terms & conditions
3. Informing about the changes in specifications fairly in advance
4. Paying the agreed amount within the agreed time period
5. Keeping the suppliers informed about future plans

5. Responsibility towards Creditors

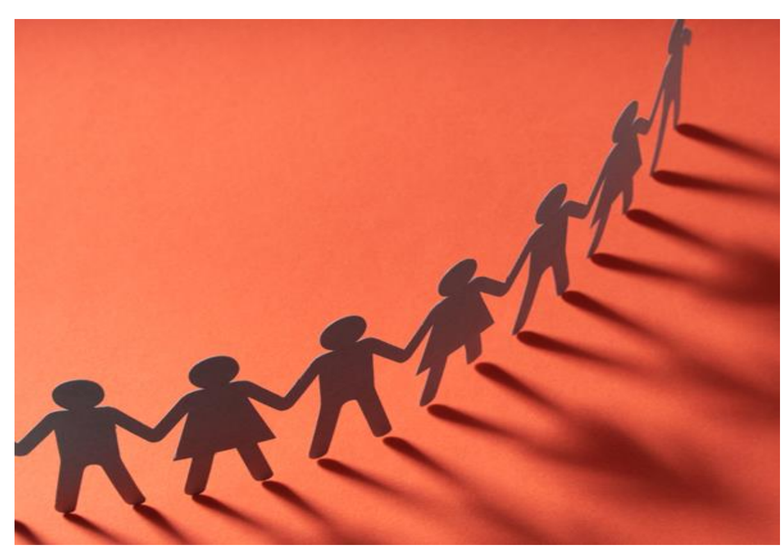
1. To furnish accurate information
2. To repay loans promptly and in any case never after the due date
3. Not to behave arrogantly after receiving of loan

6. Responsibility towards Government

1. To obey the laws
2. To honestly pay all government taxes
3. Avoiding corrupt practices
4. To avoid aggrandisement of wealth and monopolisation
5. To act in conformity with fair trade practices

7. Responsibility towards Society / Community

1. Socioeconomic objectives
2. Improvement of local environment
3. Employment opportunities
4. Efficient use of resources
5. Ethical behaviour



Sustainability

- Sustainability is a societal goal that broadly relates to the ability of people to safely co-exist on Earth over a long time.

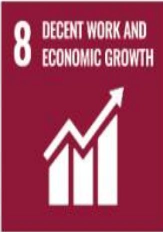
- In 1987, the United Nations Brundtland Commission defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs."

- From strategic viewpoint, sustainability in corporate world is integrate with stakeholder approach and strategic management.

- An investment in sustainable strategy can provide great benefits like technological innovation and advancement, increased competitiveness and great improvements in the quality of life.

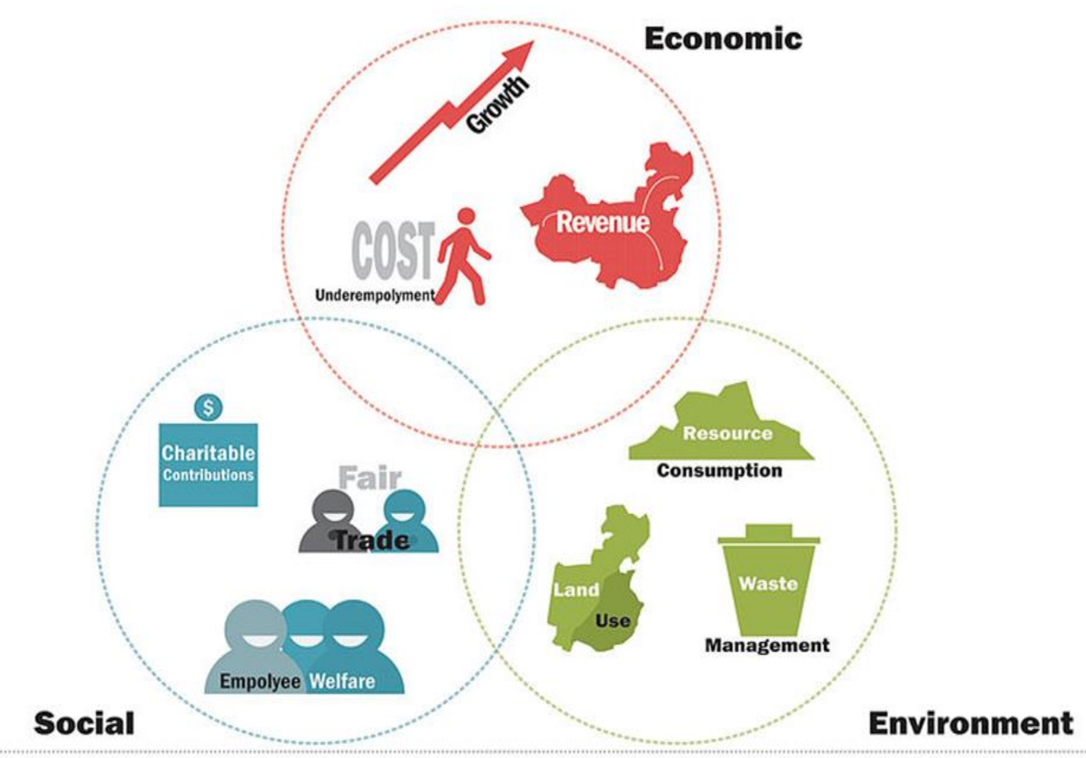
- The implications of strategic management depend upon the level at which a firm integrates sustainability.

SUSTAINABLE DEVELOPMENT GOALS



Triple Bottom Line

- The bottom line refers to the net income reported at the bottom of the income statement.
- The triple bottom line (or otherwise noted as TBL or 3BL) is an accounting framework with three parts: social, environmental (or ecological) and financial. Some organizations have adopted the TBL framework to evaluate their performance in a broader perspective to create greater business value.



- In economics, the triple bottom line (TBL) maintains that companies should commit to focusing as much on social and environmental concerns as they do on profits.

- TBL theory posits that instead of one bottom line, there should be three: profit, people, and the planet. A TBL seeks to gauge a corporation's level of commitment to corporate social responsibility and its impact on the environment over time.

- The idea was that a company can be managed in a way that not only makes money but which also improves people's lives and the well-being of the planet.

- **People + Planet = Social + Environmental Responsibility**

1. Profit

- Organizations mostly depend on financial performance to gauge performance.

- Profits tend to focus on aspects of a business that generate revenue, such as business decisions made, strategic planning, or performance and cost reduction methods.

2. People

- This measures an organization's social impact. This bottom line should help measure the organization's commitment to people.

- This includes all stakeholders, employees, individuals throughout the supply chain, customers, the organization's surrounding community and future generations.

- Methods to help measure this bottom line include advancing human rights; volunteering; donating to the global poor or hungry; promoting diversity, race and gender equity; and improving life expectancies.

3. Planet

- This measures an organization's environmental impact. Companies have contributed to poor air quality and pollution, affecting the environment and climate change at staggering rates.

- This bottom line should help measure and improve an organization's commitment to reducing its environmental footprint.

- Methods to help measure this bottom line include reducing carbon footprints by cutting down on energy consumption, reducing consumption and reliance on fossil fuels, improving waste management, streamlining shipment practices and using ethically sourced materials.

Strategic Leadership

- Strategic leadership is a leader's ability to visualize, plan, lead, and make the best out of the resources they have to execute strategies efficiently and successfully.

- They focus their time and attention on activities and decisions that will improve business results.

- Multifunctional in nature, strategic leadership involves managing through others, managing an entire enterprise rather than a functional subunit, and coping with change that continues to increase in the global economy.

- Because of the global economy's complexity, strategic leaders must learn how to effectively influence human behavior, often in uncertain environments.

- By word or by personal example, and through their ability to envision the future, effective strategic leaders meaningfully influence the behaviors, thoughts, and feelings of those with whom they work.

Effective Strategic Leadership

shapes the formation of

Vision

and

Mission

influence

Successful Strategic Actions

Formulation of Strategies

Implementation of Strategies

yields

yields

Strategic Competitiveness Above-Average Returns

10 SKILLS ASTRATEGIC LEADER MUST HAVE

1. Strategic thinking
2. Communication skills
3. Strategic planning
4. Measuring objectives and key results (OKRs)
5. Strategic agility
6. Awareness
7. Trust and reliability
8. Execution
9. Integrity
10. Management

START

BetterUp

- The ability to attract and then manage human capital may be the most critical of the strategic leader's skills, especially because the lack of talented human capital constrains firm growth.
- Effective strategic leaders also establish the context through which stakeholders (such as employees, customers, and suppliers) can perform at peak efficiency.
- Being able to demonstrate these skills is important, given that the crux of strategic leadership is the ability to manage the firm's operations effectively and sustain high performance over time.

Balance Scorecard

- Kaplan & Norton's Balanced Scorecard model was developed in the early 1990's as an attempt to help firms measure business performance using both financial and non-financial data.

- The aim of the Balanced Scorecard was "to align business activities to the vision and strategy of the business, improve internal and external communications, and monitor business performance against strategic goals."

- Kaplan and Norton devised a framework based on four perspectives – financial, customer, internal and learning and growth.

- The organization should select critical measures for each of these perspectives.

4 perspectives of Balance Scorecard

- Customer satisfaction rate
- Customer retention
- Delivery & quality performance

Customer Relationship

Financial

- ROI
- Cash flow
- Financial results

VISION & STRATEGY

- Activities per function
- Process alignment & automation

Internal Processes

Education & growth

- Job satisfaction
- Employee turnover
- Specialist knowledge and skills
- Training opportunities

- **Four perspectives are integrated to form the balanced scorecard framework:**

1. financial (concerned with growth, profitability, and risk from the shareholders' perspective),
2. customer (concerned with the amount of value customers perceive was created by the firm's products),
3. internal business processes (with a focus on the priorities for various business processes that create customer and shareholder satisfaction), and
4. learning and growth (concerned with the firm's effort to create a climate that supports change, innovation, and growth).

- **The scorecard produces a balance between:**

1. Four key business perspectives: financial, customer, internal processes and innovation.
2. How the organization sees itself and how others see it.
3. The short run and the long run.
4. The situation at a moment in time and change over time

Advantages of using the balanced scorecard

- Helps companies focus on what has to be done in order to create a breakthrough performance
- Acts as an integrating device for a variety of corporate programs
- Makes strategy operational by translating it into performance measures and targets
- Helps break down corporate level measures so that local managers and employees can see what they need to do well if they want to improve organizational effectiveness
- Provides a comprehensive view that overturns the traditional idea of the organization as a collection of isolated, independent functions and departments

Drawbacks of the balanced scorecard model

- A danger that a business will have too many performances indicators
- Need to have balance between the four perspectives – not easy
- Senior management may still be too concerned with financial performance
- Needs to be updated regularly to be useful

Management of Change

- Change management is a structured approach to transitioning individuals, teams, and organizations from a current state to a desired future state, to fulfill or implement a vision and strategy.
- It is an organizational process aimed at empowering employees to accept and embrace changes in their current environment.

Obstacles Experienced during Major Organizational Changes;

- Employee resistance
- Communication breakdown
- Insufficient time devoted to training
- Staff turnover during transition
- Cost exceeded budget

Kurt Lewin’s Three Step Model of Change management

Unfreeze

1. Recognize the need for change
2. Determine what needs to change
3. Encourage the replacement of old behaviors and attitudes
4. Ensure there is strong support from management
5. Manage and understand the doubts and concerns

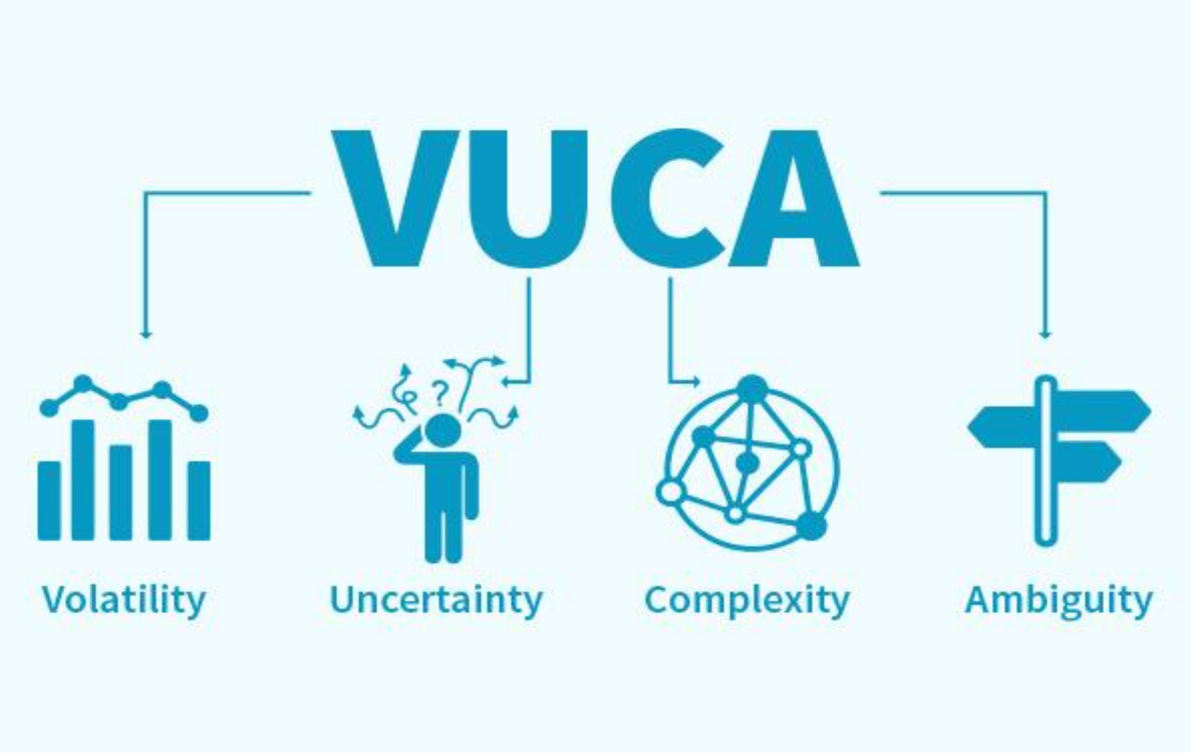
1. Plan the changes
2. Implement the changes
3. Help employees to learn new concept or points of view

1. Changes are reinforced and stabilized
2. Integrate changes into the normal way of doing things
3. Develop ways to sustain the change
4. Celebrate success

VUCA

- The deeper meaning of each element of VUCA serves to enhance the strategic significance of VUCA foresight and insight as well as the behavior of groups and individuals in organizations.

- It discusses systemic failures and behavioral failures, which are characteristic of organizational failure.



- These elements present the context in which organizations view their current and future state. They present boundaries for planning and policy management. They come together in ways that either confound decisions or sharpen the capacity to look ahead, plan ahead and move ahead. VUCA sets the stage for managing and leading.

- The particular meaning and relevance of VUCA often relates to how people view the conditions under which they make decisions, plan forward, manage risks, foster change and solve problems. In general, the premises of VUCA tend to shape an organization's capacity to:

  - ✓ Anticipate the Issues that Shape
  - ✓ Understand the Consequences of Issues and Actions
  - ✓ Appreciate the Interdependence of Variables
  - ✓ Prepare for Alternative Realities and Challenges
  - ✓ Interpret and Address Relevant Opportunities

- **V = Volatility.** The nature and dynamics of change, and the nature and speed of change forces and change catalysts.

- **U = Uncertainty.** The lack of predictability, the prospects for surprise, and the sense of awareness and understanding of issues and events.

- **C = Complexity.** The multiplex of forces, the confounding of issues, no cause-and-effect chain and confusion that surrounds organization.

- **A = Ambiguity.** The haziness of reality, the potential for misreads, and the mixed meanings of conditions; cause-and-effect confusion

HOW WELL CAN YOU PREDICT THE RESULTS OF YOUR ACTIONS?

complexity

Characteristics: The situation has many interconnected parts and variables. Some information is available or can be predicted, but the volume or nature of it can be overwhelming to process.

Example: You are doing business in many countries, all with unique regulatory environments, tariffs, and cultural values.

Approach: Restructure, bring on or develop specialists, and build up resources adequate to address the complexity.

volatility

Characteristics: The challenge is unexpected or unstable and may be of unknown duration, but it's not necessarily hard to understand; knowledge about it is often available.

Example: Prices fluctuate after a natural disaster takes a supplier off-line.

Approach: Build in slack and devote resources to preparedness—for instance, stockpile inventory or overbuy talent. These steps are typically expensive; your investment should match the risk.

ambiguity

Characteristics: Causal relationships are completely unclear. No precedents exist; you face "unknown unknowns."

Example: You decide to move into immature or emerging markets or to launch products outside your core competencies.

Approach: Experiment. Understanding cause and effect requires generating hypotheses and testing them. Design your experiments so that lessons learned can be broadly applied.

uncertainty

Characteristics: Despite a lack of other information, the event's basic cause and effect are known. Change is possible but not a given.

Example: A competitor's pending product launch muddies the future of the business and the market.

Approach: Invest in information—collect, interpret, and share it. This works best in conjunction with structural changes, such as adding information analysis networks, that can reduce ongoing uncertainty.

HOW MUCH DO YOU KNOW ABOUT THE SITUATION?

Strategic and Corporate Entrepreneurship

- Strategic entrepreneurship is basically the carrying out of entrepreneurial activities using strategic perspectives.

- It is achieved by integrating strategic knowledge and entrepreneurship.

- The concept involves behaviors of simultaneously seeking exploitable opportunities and competitive advantage to develop and implement entrepreneurial strategies for purposes of creating wealth and profit.

- Companies find it difficult to predict the future owing to the uncertain environment presented to them in the market.

- To counter the uncertainty, firms develop strategic flexibility that enables them to have a broad range of strategic options that can be adopted and implemented as required.

- Development of the strategic flexibility requires companies to acquire resources and develop capabilities that give them the go ahead to take the appropriate actions to necessary for adaptation in dynamic environments. It is in such an environment that managers and entrepreneurs design, plan, and implement actions that create new markets while capturing existing ones from competitors that appear to be less innovative and aggressive.

Components of Strategic Entrepreneurship

- ✓ **Opportunity identification**
- ✓ **Innovation** or the ability to innovate
- ✓ **Risk**
- ✓ **Flexibility**
- ✓ **Vision**
- ✓ **Growth**

Corporate entrepreneurship

- Corporate entrepreneurship, on the other hand, is the process of developing new ideas and unexploited opportunities within already established businesses to directly lead to the improvement of profitability of an organization while enhancing the competitive position of an existing business as well as its strategic renewal.

- The process involves individuals in an existing organization developing an innovation or creating new ventures.

- **Corporate entrepreneurship activities can either be internally or externally oriented.**

- Internal activities are described as the overall development within internal markets and independent units designed to expand innovative technologies, staff

services and production methods within the firm. Typically, these activities cover innovations that relate to products, processes and the administration of the firm on various levels.

- Internal entrepreneurship can be expressed in modes of strategies including; search and exploitation (opportunistic), management of research and consequent development (administrative), acquisition, imitation, and incubation.

- External entrepreneurship can be typified as the process of combining resources available in a surrounding with individual resources to create a new combination of resources that is independent of others. External efforts involve joint ventures, venture spin-off, mergers, and venture nurturing among others.

Red & Blue Ocean Strategy

- The metaphor of red and blue oceans describes the market universe.

- Red oceans represent all the industries in existence today – the known market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known.

- Here companies try to outperform their rivals to grab a greater share of product or service demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities or niche, and cutthroat competition turns the ocean bloody; hence, the term "red oceans".

- Blue oceans, in contrast, denote all the industries not in existence today – the unknown market space, untainted by competition.
- In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid.
- In blue oceans, competition is irrelevant because the rules of the game are waiting to be set. Blue ocean is an analogy to describe the wider, deeper potential of market space that is not yet explored.

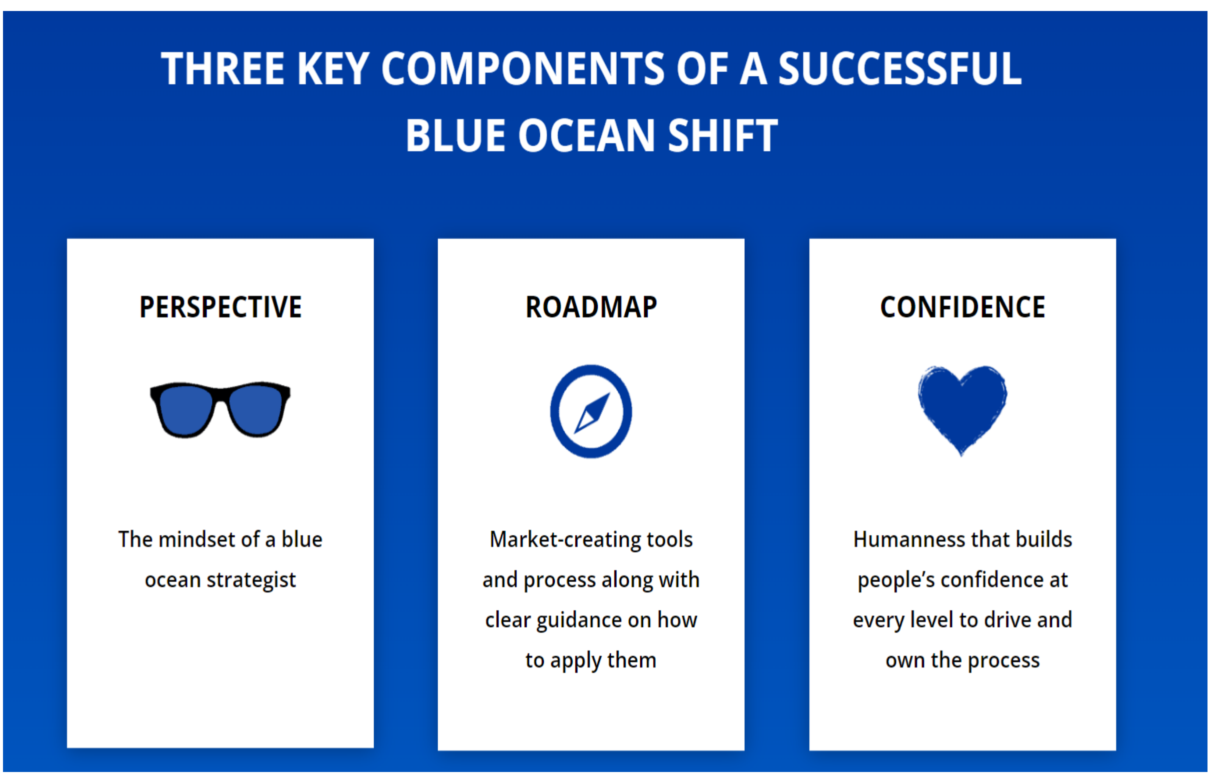
Defining Red and Blue Ocean What's Red, What's Blue

Red Ocean Strategy	Blue Ocean Strategy
• Compete in existing market space	• Create uncontested market space
• Beat the competition	• Make the competition irrelevant
• Exploit existing demand	• Create & capture new demand
• Make the value-cost trade off	• Break the value- cost trade off
• Align strategy choice of differentiation or low cost	• Simultaneous pursuit strategy of differentiation and low cost

Blue Ocean Shift

- A blue ocean shift means moving yourself, your team and your organization from cutthroat markets to wide-open new markets in a way that your people own and drive the process.

- To successfully shift from red oceans of bloody competition to blue oceans of new market space depends on three key components: having the right perspective, a clear roadmap with market-creating tools, and building people's confidence at every level to drive and own the process.



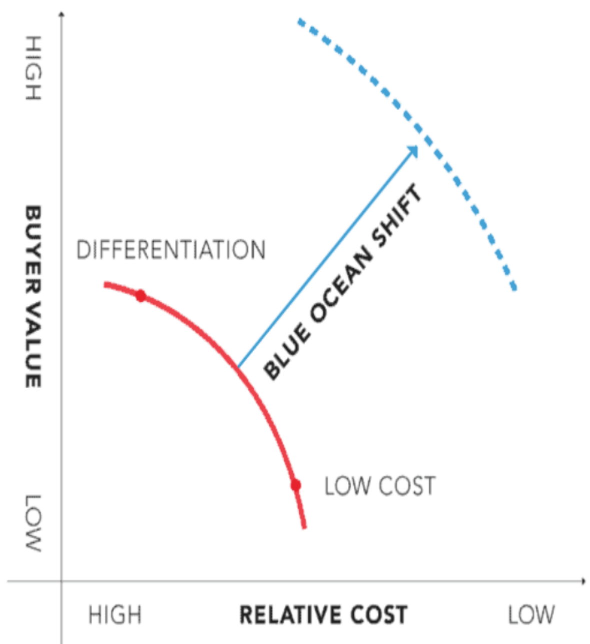
- Blue Ocean Shift is a roadmap to move you, your team, and your organization to new heights of confidence, market creation and growth.

- Whether you are a cash-strapped start-up or large, established company, non-profit or national government, you can SHIFT from cutthroat markets – red oceans – to wide-open new markets – or blue oceans of uncontested market space – by following a simple five-step process that brings your people along so they own and drive the process.

FROM MARKET COMPETING TO MARKET CREATING

In pursuit of **differentiation OR low cost** to compete on the existing productivity frontier of an industry as depicted by Michael Porter

In pursuit of **differentiation AND low cost** to open up a new value-cost frontier



OVERVIEW OF THE **BLUE OCEAN SHIFT** PROCESS

STEP 1 – Get Started
- Choose the right place to start your blue ocean initiative and construct the right team.

STEP 2 – Understand where your are now
- Get clear on the current state of play.

STEP 3 – Imagine where you could be
- Uncover the hidden pain points imposed by your industry
- Discover the ocean of noncustomers

STEP 4 – Find how you get there
- Reconstruct market boundaries - *systematically*
- Develop alternative blue ocean options

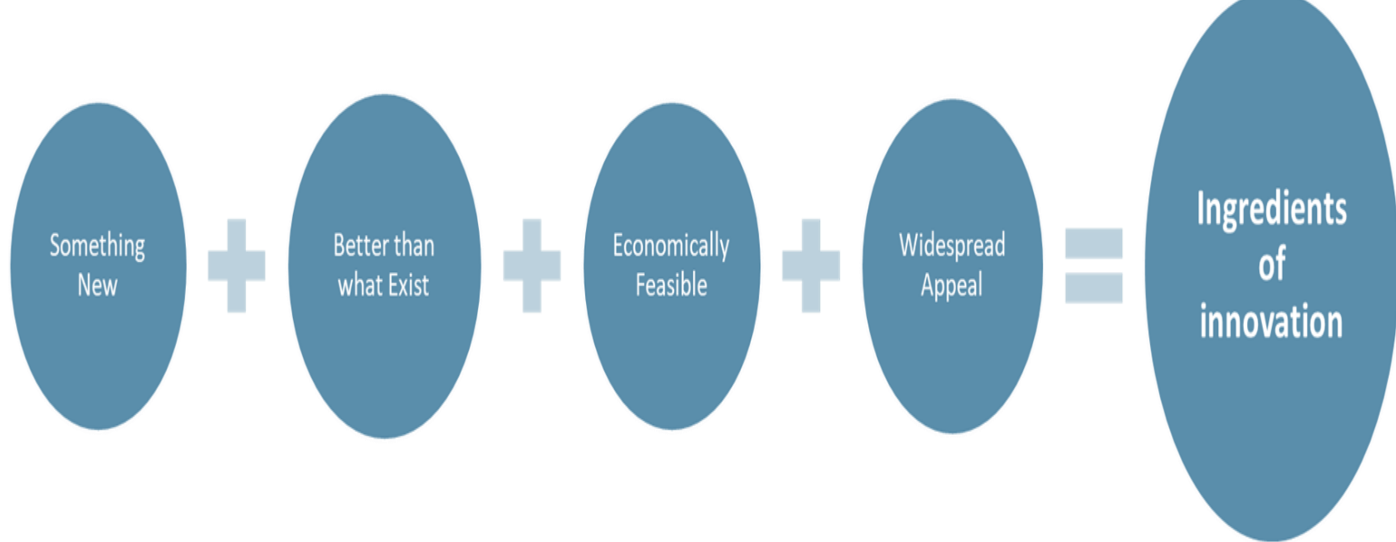
STEP 5 – Make your move
- Select and rapidly test your blue ocean move
- Formalize your big-picture business model and launch your move

Innovation

- Innovation refers to the ability of a person to develop something new based on his acquired knowledge. Here, something new means it should be totally different from all the other existing things.

- Innovation is a new idea applied to initiating or improving a product, process or services.

Ingredients of Innovation



Sources of Innovation

- ✓ Unexpected Success, Failures, Outside event
- ✓ Incongruity in reality (Something is wrong)
- ✓ Innovation based on process needs
- ✓ Change in industry and market structure
- ✓ Demographic changes
- ✓ Changes in perception, moods and meanings
- ✓ New knowledge

Types of Innovation

Types of Innovation

Radical Innovation

Incremental Innovation

1.Radical Innovation

- The launching of inaugural breakthroughs.
- These innovations take experimentation and determined vision, which are not necessarily managed but must be recognized and nurtured.

2. Incremental Innovation

- The systematic evolution of a product or service into newer or larger markets.
- Many times, the incremental innovation will take over after a radical innovation introduces a breakthrough.

Rules for an Innovative Environment

- ✓ Encourage action.
- ✓ Use informal meetings whenever possible.
- ✓ Tolerate failure and use it as a learning experience.
- ✓ Persist in getting an idea to market.
- ✓ Reward innovation for innovation's sake.
- ✓ Plan the physical layout of the enterprise to encourage informal communication.
- ✓ Expect clever **bootlegging** of ideas—secretly working on new ideas on company time as well as personal time.
- ✓ Put people on small teams for future-oriented projects.
- ✓ Encourage personnel to circumvent rigid procedures and bureaucratic red tape.

Grassroots Innovation

- Grassroots innovation is a diverse set of activities in which networks of neighbors, community groups, and activists work with people to generate bottom-up solutions for sustainable developments; novel solutions that respond to the local situation and the interests and values of the communities involved; and where those communities have control over the process and outcomes.

- They frequently seek to create new social institutions and 'systems of provision' based upon different values to those of the mainstream. Examples include community renewable energy initiatives, eco-housing, local organic food schemes, and community currencies such as time banks.

Characteristics of Grass Routes Innovation

- GI belongs to the knowledge, skills and capabilities lies in local communities.
- Occur when principal innovations trapped
- They are more stable innovations
- Learning in GI takes place over a period of time
- Solutions offered are more suitable in nature compared to regular innovation
- GI challenges the established way of doing things

Steps to promote Grassroots Innovation

- Keep your eyes, ears and mind open to new ideas and acute problems
- Build innovation platforms
- Institutionalise strategies for innovation
- Document & celebrate the stories of innovators
- Ecosystem learning
- Build a foundation of ethics
- Do not just learn from users, co-create with them
- Embrace Frugality
- Promote micro-venture finance

Jugaad

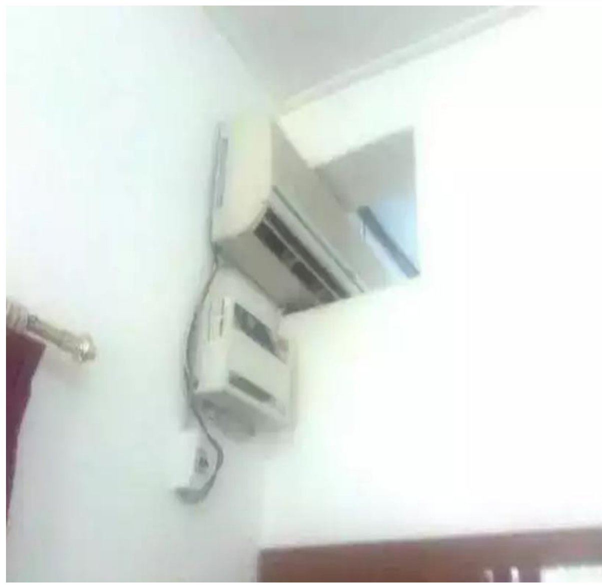
- The word "Jugaad" basically refers to the Hindi word which means fixing a problem, applying presence of mind, and cleverness by the innovator.

- It involves identifying opportunities in most immediate situations and achieving results by giving minimum inputs.

- It is said that necessity is the mother of invention, and when it comes to saving money by being jugaadu, nobody pulls it off better than we do.

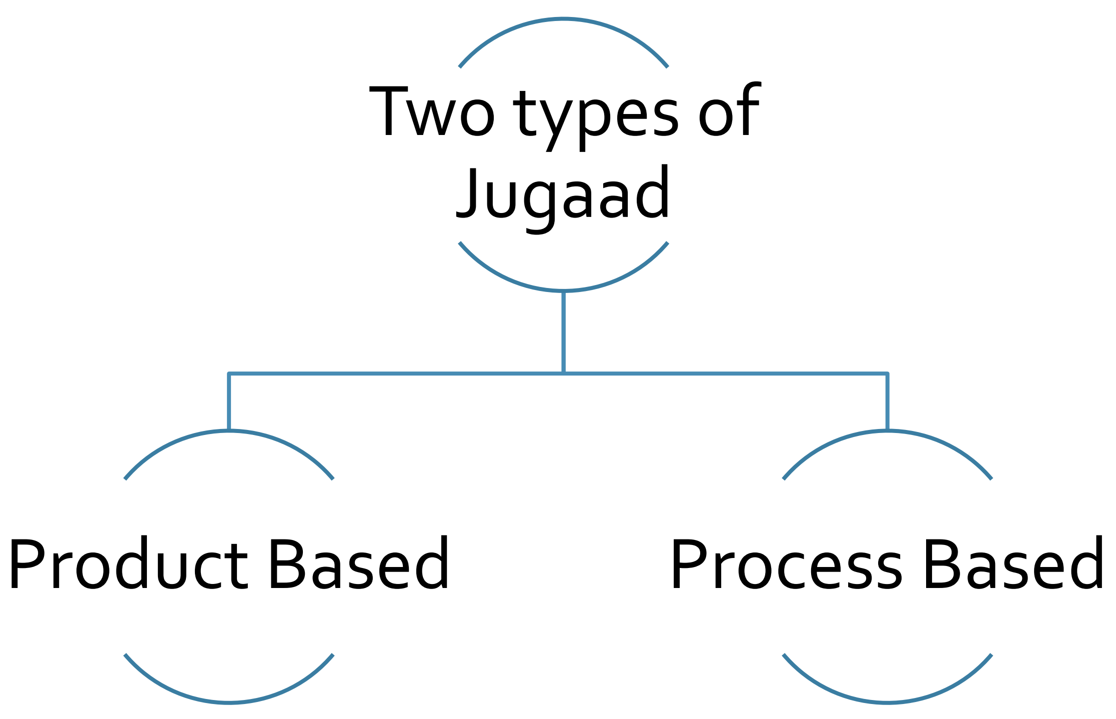
- Indians and jugaad go hand-in-hand; we're capable of coming up with weird but workable fixes to make our lives easier.

Here are some people who came up with the most innovative and cost-efficient jugaads to everyday problems……….



J2SE 5 Edition

DOMINICA
NOVA



Characteristics of Jugaad

- ✓ Less Capital use
- ✓ Highly flexible decisions
- ✓ Cheaply available resources
- ✓ No need of high level skills
- ✓ Localized in content
- ✓ Seek opportunity in adversity
- ✓ Low cost Product development

Limitations of Jugaad

- Largely un tested in organizational settings (Individualism, less practical)
- No team effort, must be given freedom to employees leads less control factors
- No strategic orientation in Jugaad (just fix it nature)
- No systematic solutions finding (no scientific thought)
- No R&D

MCQs

Sr. No.	Questions	Answer
1	What specifies the firm's formal reporting relationships, procedures, controls, and authority and decision-making processes?	Organizational structure
2	Organizational structure is a critical component of effective ____________________ processes.	Strategy implementation
3	What specifies the work to be done and how to do it, given the firm's strategy or strategies?	A firm's structure
4	What is concerned with processes used to complete organizational tasks?	Structure
5	What provides the capacity the firm requires to consistently and predictably manage its daily work routines?	Structural stability
6	What guides the use of strategy, indicate how to compare actual results with expected results, and suggest corrective actions to take when the difference is unacceptable?	Organizational controls

7	"When fewer differences separate actual from expected outcomes, the organization's controls are more effective." Is this statement true or false?	True
8	Firms use which controls to support using their strategies?	strategic controls and financial controls
9	Which controls are concerned with examining the fit between what the firm *might do* (as suggested by opportunities in its external environment) and what it *can do* (as indicated by its competitive advantages)?	Strategic controls
10	Strategic controls are largely which criteria that is intended to verify that the firm is using appropriate strategies for the conditions in the external environment and the company's competitive advantages?	Subjective criteria
11	Financial controls are largely which criteria that is used to measure the firm's performance against previously established quantitative standards?	Objective criteria
12	Strategy and structure is having which kind of relationship?	Reciprocal relationship

13	Strategy and structure relationship highlights the interconnectedness between ___________________ and _________________.	strategy formulation, strategy implementation
14	As per the general nature of the strategy/structure relationship, changes in which factor create the need to change how the organization completes its work?	Firm's strategy
15	"strategy has a much more important influence on structure than the reverse." Is this statement true or false?	True
16	Properly matching strategy and structure can create a _____________________.	Competitive advantage
17	In which structure the owner-manager makes all major decisions and monitors all activities while the staff serves as an extension of the manager's supervisory authority?	Simple structure
18	Informal relationships, few rules, limited task specialization, and unsophisticated information systems characterize which structure?	Simple structure
19	Which structure allows for functional specialization, thereby facilitating active sharing of knowledge within each functional area?	Functional structure

20	What facilitates career paths as well as professional development of functional specialists?	Knowledge sharing
21	Using which strategy requires analyzing substantially greater amounts of data and information when the firm offers the same products in different markets or offers different products in several markets?	Diversification strategy
22	Which structure consists of a corporate office and operating divisions, each operating division representing a separate business or profit center?	Multidivisional structure
23	What can be defined as a responsibility of company towards its stake holders?	CSR
24	What is CSR?	Corporate social responsibility
25	Who has notified Section 135 and Schedule VII of the Companies Act, 2013, which relate to corporate social responsibility (CSR) that will be effective from April 1, as part of the new Companies Act?	MCA
26	What is MCA?	The ministry of corporate affairs

27	Which stakeholder claims participation in distribution of profits, additional stock offerings, assets on liquidation?	Shareholders
28	Who claim legal proportion of interest payment due and return of principal from investment?	Creditors
29	Who claims economic, social and psychological satisfaction in the place of employment?	Employee
30	Which stakeholder claims services provided with the product, warranties, spare parts to support the product and credit facility?	Customers
31	Which stakeholder is a continuous source of bussiness, and has a professional relationship in contracting for purchasing and receiving goods or services?	Supplier
32	Which stakeholder is a negotiating agency for employees?	Unions
33	How many types of CSRs are there?	Four
34	Which type of CSR includes providing of goods and services to society at reasonable cost, providing productive jobs and timely payment of taxes?	Economic responsibility
35	Living up to economic responsibilities requires managers to maximize ____________ whenever possible.	Profits

36	Which type of CSR reflects Firm's obligations to comply with the laws that regulates business activities?	Legal responsibilities
37	Which type of CSR Reflects company's notion of right or proper business behavior?	Ethical responsibilities
38	Firms are ___________ but not __________ to behave Ethically.	Expected, required
39	"Some Actions that are legal might be considered unethical." Is this statement true or false?	True
40	Which are the responsibilities that are voluntarily assumed by business organizations?	Discretionary responsibilities
41	Which approach is an accounting framework with three parts: social, environmental (or ecological) and financial?	TBL or 3BL
42	What is TBL or 3BL?	Triple bottom line
43	Which 3Ps describe all three bottom lines?	People, planet and profit.
44	Which P describe social equity bottom line?	People

45	Which P describe environmental bottom line?	Planet
46	Which P describe economic bottom line?	Profit
47	Which bottom line pertains to fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business?	Social equity bottom line
48	A TBL company conceives which kind social structure in which the well-being of corporate, labour and other stakeholder interests are interdependent?	Reciprocal social structure
49	A TBL business also typically seeks to ____________ by contributing to the strength and growth of its community with such things as health care and education.	"give back"
50	Who developed guidelines to enable corporations and NGOs alike to comparably report on the social impact of a business?	GRI
51	What is GRI?	The Global Reporting Initiative
52	Which bottom line refers to sustainable environmental practices?	Environmental bottom line

53	Which practices are avoided by TBL companies?	Ecologically destructive practices
54	"Sustainability reporting metrics are better quantified and standardized for environmental issues than for social ones." Is this statement true or false?	True
55	The ecological bottom line is akin to which concept?	Concept of eco-capitalism
56	Which is uppermost in the thoughts of TBL manufacturing businesses?	"Cradle to grave"
57	As per cradle to grave, TBL manufacturing business typically conduct which kind of assessment?	Life cycle of products
58	Which bottom line deals with the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up?	Economic bottom line
59	What the vital element and the agent is of change that good intentions into significant accomplishments over the long run?	Leadership
60	Which is an extreme form of transactional leadership where leaders have absolute power over their workers or team?	Autocratic Leadership

61	Autocratic leadership assumes that work is done only because it is ___________.	Rewarded
62	Do autocratic leaders make decisions with consulting their teams?	No
63	Which kind of leadership often leads to high levels of absenteeism and staff turnover?	Autocratic leadership
64	Which kind of leadership is very appropriate style for work involving serious security risks or where large sums of money are involved?	Bureaucratic Leadership
65	Which leadership invite other members of the team to contribute to the decision-making process?	Democratic or participative leadership
66	Participative leaderahip helps to develop _______________.	People's skills
67	With which leadership, leaders are totally focused on organizing, supporting and developing the people in their teams?	People-oriented leadership
68	Which leadership style tends to encourage good teamwork and creative collaboration?	People-oriented leadership

69	In which leadership, leaders are highly task oriented and focus only on getting the job done, and they can be quite autocratic?	Task-oriented Leadership
70	Which style of leadership starts with the idea that the team members agree to obey their leader totally when they accept a job?	Transactional Leadership
71	____________is the organization paying the team members in return of their effort and compliance?	Transaction
72	People with which style are true leaders who inspire their teams constantly with a shared vision of the future?	Transformational Leadership
73	______________ leaders ensure that routine work is done reliably, while _____________ leaders look after initiatives that add new value.	Transactional, Transformational
74	What is the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary?	Strategic leadership

75	What is a framework firms can use to verify that they have established both strategic and financial controls to assess their performance?	Balanced scorecard
76	Balance scorecard is most appropriate to use when dealing with _________________ strategies.	business-level strategies
77	An appropriate balance of which controls allows firms to effectively monitor their performance?	strategic controls and financial controls
78	How many perspectives are integrated to form the balanced scorecard framework?	Four
79	Which controls tend to be emphasized when the firm assesses its performance relative to the learning and growth perspective?	Strategic controls
80	Which controls are emphasized when assessing performance in terms of the financial perspective?	Financial controls
81	Which leaders play an important role in determining a proper balance between strategic controls and financial controls, whether they are in single-business firms or large diversified firms?	Strategic leaders

82	To transitioning individuals, teams, and organizations from a current state to a desired future state, to fulfill or implement a vision and strategy, is known as what?	Change management
83	Change management is which kind of approach?	Structured approach
84	Which is an organizational process aimed at empowering employees to accept and embrace changes in their current environment?	Change management
85	How many steps are involved in change management model?	Eight
86	Which is the first and most critical step in a successful change effort?	Raising a feeling of urgency
87	Once a vision and strategy have been developed, they must be __________________.	Communicated
88	What should be seen as removing barriers to those whom we want to assist in pushing the change effort?	Empowering action
89	What nourish faith in the change effort?	Short-term wins
90	Who has given three Step Model of Change management?	Kurt Lewin

91	Which are three steps of kurt lewin's change management model?	Unfreeze, change and refreeze
92	Which stage in change management creates the need for change and determine what need to change?	Unfreeze
93	Which stage of change management model empowers action?	Change
94	Which stage in change management model develop ways to sustain the change?	Refreeze
95	Systemic failures and behavioral failures are characteristic of which failure?	Organizational failure
96	In VUCA, what stands for V	Volatility
97	In VUCA, what stands for U	Uncertainty
98	In VUCA, what stands for C	Complexity
99	In VUCA, what stands for A	Ambiguity
100	In VUCA, which element describes the nature and dynamics of change?	volatility
101	In VUCA, which element describes the lack of predictability?	Uncertainty
102	In VUCA, which element describes the multiplex of forces, the confounding of issues, no cause-and-effect chain and confusion that surrounds organization?	Complexity

103	In VUCA, which element describes the haziness of reality, the potential for misreads, and the mixed meanings of conditions?	Ambiguity
104	VUCA sets the stage for ___________________.	Managing and leading
105	VUCA present boundaries for _____________________.	Planning and policy management
106	“The particular meaning and relevance of VUCA often relates to how people view the conditions under which they make decisions, plan forward, manage risks, foster change and solve problems.” Is this statement true or false?	True
107	What is an attempt to create value through recognition of business opportunities, the management of risk taking appropriate to opportunity and through communicating and managerial skills?	Entrepreneur ship
108	___________________is basically the carrying out of entrepreneurial activities using strategic perspectives.	Strategic entrepreneur ship
109	The concept of strategic entrepreneurship involves behaviors of simultaneously seeking ______________________ and ___________________.	Exploitable opportunities ,

		competitive advantage
110	How many components of strategic entrepreneurship are there?	Six
111	What is the process of developing new ideas and unexploited opportunities within already established businesses?	Corporate entrepreneurship
112	What is the sum total of an organization's efforts directed towards renewal, innovation, and venturing?	Corporate entrepreneurship
113	Corporate entrepreneurship activities can either be ________________ or _______________ oriented.	Internally, externally
114	Which activities are described as the overall development within internal markets and independent units designed to expand innovative technologies, staff services and production methods within the firm?	Internal activities
115	Which can be typified as the process of combining resources available in a surrounding with individual resources to create a new combination of resources that is independent of others?	External entrepreneurship
116	What requires the creation of congruence between the entrepreneurial vision of the organization's	Corporate Entrepreneurship Strategy

	leaders and the entrepreneurial actions of those throughout the organization?	
117	How many critical steps are there in a corporate entrepreneurial strategy?	Six
118	Recognizing the importance of managing the grief process that occurs from project failure is known as what?	Learning from failure
119	What can be described through the metaphor of red and blue oceans?	Market universe
120	What represent all the industries in existence today – the known market space?	Red oceans
121	What denotes all the industries not in existence today – the unknown market space, untainted by competition?	Blue oceans
122	In which ocean demand is created rather than fought over?	Blue oceans
123	In which ocean industry boundaries are defined and accepted, and the competitive rules of the game are known?	Red oceans
124	In which ocean companies try to outperform their rivals to grab a greater share of product or service demand?	Red oceans
125	In blue oceans, competition is _______________.	Irrelevant

126	______________________is an analogy to describe the wider, deeper potential of market space that is not yet explored.	Blue ocean
127	who is “Soon-to-be” non- customers who are on the edge of your market, waiting to jump ship?	First Tier
128	Who is “Refusing non- customers who consciously choose against your market?	Second Tier
129	Who is “Unexplored” non customers who are in markets distant from yours?	Third Tier
130	___________________ may not be the paths to future profitable growth.	Red oceans
131	What is a roadmap to move you, your team, and your organization to new heights of confidence, market creation and growth?	Blue Ocean Shift
132	Blue Ocean Shift Process consists how many steps?	Five
133	Which innovations take experimentation and determined vision, which are not necessarily managed but must be recognized and nurtured?	Redical innovation
134	What is the systematic evolution of a product or service into newer or larger markets?	Incremental Innovation
135	What are the means by which the entrepreneur either creates new wealth producing resources or endows	Innovation

	existing resources with enhanced potential for creating wealth?	
136	The word "____________" basically refers to the Hindi word which means fixing a problem, applying presence of mind, and cleverness by the innovator.	Jugaad
137	How many types of jugaad are there?	Two
138	Which are two types of jugaad?	Product Based, Process Based
139	What is defined as innovative product or process created at the bottom of the pyramid, usually due to necessity, hardship and challenges?	Grassroots innovation
140	Which initiatives are innovative networks of activists and organisations that lead bottom-up solutions for sustainable development?	Grassroots initiatives
141	Something New, Better than what Exist, Economically Feasible, Widespread Appeal are ingredients of innovation. Yes or no?	Yes

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