LECTURENOTES

Strategic Management

MBA, 2nd Semester,general

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COURSECONTENT

Strategic Management

MBA, 2nd Semester, general

Module I: Strategy and Process: External & Internal Environment – Strategic Advantage Profile (SAP), Environmental Threat Opportunity Profile (ETOP), SWOC Analyses -Conceptual framework for strategic management, the Concept of Strategy and the Strategic Management Process – Stakeholders in business – Vision, Mission, Purpose, Objectives and Goals – Strategic intent – hierarchy of strategy – strategic business unit.

Module II: Industry Structure & Competitive Advantage:

Industry Analysis - Porter's Five Forces Model-Strategic Groups, Competitive Changes during Industry Evolution-Globalization and Industry Structure - Capabilities and competencies–core Competencies-Low cost and differentiation - Generic Building Blocks of Competitive Advantage- Distinctive Competencies-Resources and Capabilities durability of competitive Advantage- Sustainable Competitive Advantage - Case study.

Module III: Strategy Implementation and Evaluation:

The generic strategic alternatives – Stability, Expansion, Retrenchment and Combination strategies - Business level strategy- Strategy in the Global Environment-Corporate Strategy-Vertical -Diversification and Strategic Alliances - Mergers & Acquisition (Concept) - Strategic analysis and choice – Business Portfolio Analysis – BCG Matrix and GE 9 Cell Model -Mc Kinsey's 7s Framework - Balance Score Card-case study.
Designing Strategic Control Systems- Matching structure and control to strategy- Implementing Strategic Change-Politics- Power and Conflict-Techniques of strategic evaluation & control-case study, Corporate Social Responsibility.

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Strategic management

Mba, 2nd Semester, general

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2. Strategic Management, R. Srinivasana, PHI,
3. Strategic Management, Haberberg&Rieple, Oxford ,
4. An Integrated approach to Strategic Management, Hill & Jones, Cengage ,
5. Strategic Management & Entrepreneurship, D.Acharya& A. Nanda,HPH

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Introductionto Strategic management:

- Introductionto Strategy:

The word "strategy" is derived from the Greek word "strategos," meaning "general" or "commander of an army".

Strategy is a long-term plan that outlines how an organization will achieve its goals and objectives, involving resource allocation and competitive advantage. It's a framework for making decisions and allocating resources to gain a competitive edge and navigate a dynamic environment.

- Introduction to Strategic management:

Strategic management is a systematic process that organizations use to define their goals, analyze their environment, develop strategies, and implement plans to achieve their desired future state. It involves a continuous cycle of planning, implementation, and evaluation to ensure long-term success and competitive advantage. Strategic management is the process of setting goals, analyzing the competitive environment, assessing internal resources, and implementing strategies to achieve long-term business success. It involves:

1.Goal Setting – Defining the organization's vision, mission, and objectives.

2.Environmental Analysis – Examining external factors (competition, market trends) and internal factors (strengths, weaknesses).

3.Strategy Formulation – Developing plans to achieve competitive advantage.

4. Strategy Implementation – Executing the chosen strategy through resource allocation and leadership.

5. Evaluation & Control – Monitoring progress and making adjustments as needed.

External and internal environment:

Environmental factors significantly influence business operations and decisions. Recognizing them is crucial for strategic planning and risk management, aligning strategies with market conditions, mitigating risks, and adapting to changes effectively. This understanding also facilitates seizing opportunities, complying with regulations, optimizing resources, and improving customer satisfaction, thereby supporting informed decision-making and sustainable business growth.

Environmental factors that affect businesses can be broadly categorized into 2 main types:

1.Internal factors
2.External factors

1. Internal factors:

Internal factors include everything within the company's control, whether physical or abstract. These factors are divided into strengths and weaknesses. Strengths are things that benefit the company, while weaknesses hold it back. Many different aspects of the company need to be carefully considered when evaluating these factors.

Some important internal factors are:

1. Human Resource:

In today's global economy, where economic value increasingly comes from ideas and digital skills rather than physical resources, human resources are crucial for businesses. The success of a company depends on its employees' skills, competencies, attitudes towards work, and performance. Skilled and motivated workers are key assets to any enterprise. However, employees who lack training and show negative attitudes present challenges. Effective human resource management is essential for both company success and employee development, requiring strategic leadershipfrom the CEO.

2.capital resources:

Financial capital is crucial for a business's growth and sustainability. CEOs invest it in tangible assets like factories and equipment, and intangible resources such as marketing and employee training. Without capital, companies can't survive. With enough funds, they can launch projects, expand, and achieve great results.

3.Vision, Mission, and Objectives

Vision outlines the long-term goals and aspirations of the enterprise, showing what it aims to achieve. Mission describes the organization's purpose, its business activities, and the reason for its existence. Objectives are specific milestones set to be accomplished within a certain timeframe using available resources.

4. Value System

A value system is a set of consistent and logical principles adopted by a firm to guide its behavior and decision-making in various circumstances. It serves as a standard for regulating conduct within the organization.

5. Plans and Policies

Plans and policies are vital internal factors guiding organizational operations and decisions. Plans define strategic goals and necessary steps for growth, while policies establish rules for organizational behavior and operations. Together, they ensure consistency, efficiency, and accountability across the organization, aiding in resource management, risk reduction, and alignment with long-term objectives. Regular reviews and updates enable organizations to stay agile and responsive, fostering sustainable success and resilience to external dynamics.

6. Organizational Structure

To have a suitable organizational structure requires the owners have to consider carefully set up a business management system to work smoothly within the company. Whether it is a centralized or decentralized system, the most important thing is how effective the structure is when applied for the company. The heads of departments or fractional CIOs need to make sure that the information flow is widely conveyed to all customers. Suitable rules and regulations are being applied to ensure the benefits of employees, and the business as well.

Some important external factors are:

Micro Factors

1. Customers

The customer factor is crucial to business success, involving an understanding of customer needs, preferences, and behaviors. This requires identifying customer segments and tailoring marketing strategies accordingly. Analyzing buying patterns and decision-making processes helps align offerings with expectations. Building strong relationships through excellent service and personalized interactions enhances satisfaction and loyalty. Effective CRM and retention strategies, such as loyalty programs, are essential fo**r maintaining a loyal** customer base. Additionally, understanding customer lifetime value and using targeted acquisition strategies ensure sustainable growth by attracting and retaining high-value customers.

2. Input or Suppliers

The “Input or Suppliers” factor is crucial in supply chain management, involving the sourcing of essential materials and services. Reliable suppliers ensure timely, quality inputs at competitive prices, impacting production efficiency and cost management. Strong supplier relationships can result in better terms and collaborative innovation. Managing risks like supplier reliability and supply chain disruptions through diversification and contingency plans is vital. Effective supplier management enhances operational stability and overall business success.

3. Competitors

The “Competitors” factor is crucial for shaping strategic decisions and market positioning. Analyzing competitors’ strengths, weaknesses, market share, pricing, and products helps identify opportunities for differentiation and innovation. Monitoring competitors’ tactics allows companies to adapt and stay competitive. Awareness of emerging competitors and industry trends enables proactive responses. Effective competitor analysis and strategy maintain a competitive edge and drive growth in a dynamic market.

4. Public

The public includes various groups such as local communities, non-governmental organizations (NGOs), and other stakeholders who can influence or be influenced by the company’s activities. Public opinion can affect a company’s reputation and its ability to operate smoothly within a community.

Macro Factors

5. Economic

The “economic” factor includes inflation, interest rates, economic growth, exchange rates, and consumer confidence, all of which affect businesses by influencing purchasing power, costs, and market demand. Businesses adjust pricing and strategies in response to economic shifts like inflation or recession. Economic stability boosts confidence and investment, while volatility poses risks such as fluctuating costs or reduced spending. Monitoring economic trends and policies helps businesses foresee changes, and make informed decisions for sustained growth and profitability despite uncertainties.

6. Political/Legal

Political and legal factors involve government policies, regulations, and legal issues that affect a company’s operations. These include tax policies, trade restrictions, labor laws, and environmental regulations. Political stability and legal compliance are essential for business continuity and risk management.

7. Technology

Technological factors refer to innovations and advancements in technology that can affect production processes, product development, and market competitiveness. Staying updated with technological trends can lead to improved efficiency and new business opportunities.

8. Social

Social factors include demographics, cultural trends, lifestyle changes, and societal values. Understanding social dynamics helps companies tailor their products and marketing strategies to meet the evolving needs and preferences of their target audience.

Strategic Advantage Profile(SAP):

A Strategic Advantage Profile (SAP) is a tool used in strategic management to assess a company's strengths and weaknesses in key functional areas. It helps identify competitive advantages and areas needing improvement, forming a basis for strategic decision-making.

Key Components of SAP:

- Financial Position – Profitability, revenue growth, cost structure, investment capacity
- Market Position – Market share, customer base, brand strength, competitive differentiation
- Technological Capabilities – R&D strength, innovation, patents, production efficiency
- Human Resources – Talent quality, leadership, organizational culture, workforce skills
- Operational Efficiency – Supply chain management, production efficiency, cost leadership
- Customer Relationships – Customer satisfaction, loyalty, service quality
- Strategic Alliances – Partnerships, mergers, acquisitions, joint ventures
- Regulatory & Environmental Factors – Compliance, sustainability, ethical considerations

How to Develop a Strategic Advantage Profile:

- Identify Key Strengths & Weaknesses in each functional area
- Benchmark Against Competitors to understand relative position

- Analyze External Environment (PESTLE, Porter's Five Forces)
- Develop Strategic Initiatives to capitalize on strengths and improve weaknesses
- Monitor & Adjust Strategies based on performance and market changes

Benefits of SAP:

1.Clear competitive positioning

2.Informed decision-making

3.Resource optimization

4.Enhanced strategic planning

Environmental Threat Opportunity Profile(ETOP):

ETOP analysis is a strategic management tool used to evaluate the external environment of an organization by identifying threats and opportunities in different environmental sectors. It helps businesses align their strategies with external conditions to gain a competitive advantage.

Steps to Conduct an ETOP Analysis:

1.Identify Environmental Factors – Use PESTLE analysis (Political, Economic, Social,

2.Technological, Legal, Environmental) to classify external factors.

3.Assess Impact – Determine whether each factor presents an opportunity or threat to the organization.

4.Prioritize Key Factors – Rank them based on their significance and potential impact.

5.Develop Strategic Responses – Leverage opportunities and mitigate threats through strategic planning.

Key Components:

- Environmental Scanning: The process of monitoring the external environment for relevant events, trends, and issues.
- Identifying Threats and Opportunities: Analyzing the identified events and trends to determine their potential impact on the organization, classifying them as either threats or opportunities.
- Strategic Decision-Making: Using the ETOP analysis findings to inform strategic decisions and develop appropriate strategies to address identified threats and exploit opportunities.

Benefits:

- Improved Strategic Planning: Helps organizations make more informed strategic decisions based on a thorough understanding of their external environment.
- Enhanced Competitive Advantage: Allows organizations to identify and capitalize on opportunities that competitors may miss.
- Better Risk Management: Enables organizations to proactively identify and mitigate potential threats.
- Relationship to other frameworks: ETOP analysis can be used in conjunction with other strategic frameworks, such as SWOT analysis, to provide a more comprehensive understanding of an organization's environment.

SWOC Analysis :

S-Strength

W-Weakness

O-Opportunities

C-Challenges

- SWOC analysis is a strategic planning method used to research external and internal factors which affect company success and growth.
- Firms use SWOC analysis to determine the strengths, weaknesses, opportunities and challenges of their firm, products, and competition. Strengths and weaknesses are internal factors, while opportunities and challenges are external factors.

Strength:

- Strengths are essentially the competitive advantages that the business possesses, and include the unique resources to which it has access, operational procedures it has perfected, technologies its own and its unique selling point.
- Examples are strong brands, popularity, cost advantages, patents and access to rare natural resources.

Weakness:

- They are the factors that place the business at a disadvantage against its competition. Lack of certain strengths could even be a weakness. The perception of others is also important.
- For example, a poor reputation among customers could be harmful to a business is definitely a weakness.

- Knowing its own weaknesses allows a business to identify factors it should avoid in building strategic plans if it can’t convert them into strength.

Opportunites:

- Opportunities indicate external factors that the business can take advantage of.
- Trends related to the business could be counted as opportunities, as could changes in government policies and regulations.
- Social shifts and changing demographics also can be sources of opportunity, along with new technologies, relaxation of regulations and the competitor’s dissatisfied customers. Businesses can build their strategic plans around opportunities.

Challenges:

- The final step in SWOC analysis is acknowledging challenges.
- Here might find a consideration that has also been listed as opportunity-new technologies.
- For example, Tightening of regulations, changes in consumer demands, newer products and a changing competitive landscape can pose challenge.

conduction a SWOC analysis:

- A SWOC analysis is a tool for documenting internal strengths (S) and weaknesses (W) in your business, as well as external opportunities (O) and challenges(C).
- You can use this information in your business planning to help achieve your goals. To work out if something is an internal or external factor, ask yourself if it would exist even if your business didn't. If it would, then it's an external factor (e.g. new technology).

There are 8 steps to conduct a SWOC analysis.

1. Decide on the objective of your SWOC analysisTo get the most out of your SWOC analysis, you should have a question or objective in mind from the start. For example, you could use a SWOC analysis to help you decide if you should introduce a new product or service, or change your processes.
2. Research your business, industry and market:Before you begin the SWOC analysis you need to do

some research to understand your business, industry and market. Get a range of perspectives by talking to your staff, business partners and clients. Also conduct some market research and find out about your competitors.

3. List your business's strengths

- The first step is to identify and list what you think are your business's strengths.
- Examples could include strengths relating to employees, financial resources, your business location, cost advantages and competitiveness.

4. List your business's weaknesses

   • List things in your business that you consider to be weaknesses (i.e. that put your business at a disadvantage to others).

   • Weaknesses could include an absence of new products or clients, staff absenteeism, a lack of intellectual property, declining market share and distance to market.

   • Make sure you address the weaknesses raised in your SWOT analysis.

   • The list of weaknesses can indicate how your business has grown over time.

   • When you review the SWOT analysis after a year, you may notice that your weaknesses have been resolved.

   • While you may find new weaknesses, the fact that the old ones are gone is a sign of progress.

5. List potential opportunities for your business

   • Think about the possible external opportunities for your business.

   • These are not the same as your internal strengths, and are not necessarily definite - an opportunity for one aspect of your business could be a threat to another (e.g. you may consider introducing a new product to keep up with consumer trends, but your competitors may already have a
   similar product).

   • Keep this in mind, but for the SWOC analysis, the same item shouldn't be listed as both an opportunity and a threat.

   • Opportunities could include new technology, training programs, partnerships, a diverse marketplace and of government.

6. List potential threats to your business

   • List external factors that could be a threat or cause a problem for your business.

   • Examples of threats could include rising unemployment, increasing competition, higher interest rates and the uncertainty of global markets.

7. Establish priorities from the SWOC

   • When you have completed the steps above, you will have 4 separate lists.

• Ideally, these lists can be displayed side-by-side so you can have an overall picture of how your business is
running and what issues you need to address.
• You can then work out what issues are the most important and what can be dealt with later.

8. Develop a strategy to address issues in the SWOC

Review your 4 prioritized lists by asking:
• How can we use our strengths to take advantage of the opportunities identified?
• How can we use these strengths to overcome the threats identified?
• What do we need to do to overcome the identified weaknesses in order to take advantage of the opportunities?
• How will we minimize our weaknesses to overcome the identified threats?
• Once you have answered these questions and finalized your lists, you can now use the SWOT analysis to develop strategies for achieving your business goals.

Strategic management is defined as:

"The art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives."

The Strategic Management Process:

The strategic management process consists of three primary stages:

1. Strategy Formulation.
   - Analysis: Assessing the internal and external environments of the organization.
   - Strategy Development: Creating plans and policies to leverage strengths and opportunities while addressing weaknesses and threats.
   - Goal Setting: Defining clear, measurable, and achievable objectives.

2.Strategy Implementation.
   - Resource Allocation: Distributing necessary resources effectively across the organization.
   - Organizational Structure: Establishing frameworks and processes to support strategy execution.

- Leadership and Communication: Guiding teams and ensuring alignment with strategic objectives.

3.Strategy Evaluation

- Performance Measurement: Monitoring outcomes against set goals and benchmarks.
- Feedback Mechanisms: Gathering insights to understand successes and areas for improvement.
- Corrective Actions: Making adjustments to strategies and implementations as needed.

Stakeholders in business:

Stakeholders are individuals, groups, or organizations with a vested interest in a business, whose actions, decisions, or outcomes can impact the organization's success or failure. Understanding and managing stakeholder expectations is crucial for achieving strategic goals.

Here's a more detailed explanation:

What are Stakeholders?

Definition:

- A stakeholder is anyone who can affect or be affected by an organization's decisions, policies, and actions.

Vested Interest:

- Stakeholders have a "stake" in the organization's success, whether it's financial, operational, or reputational.

Internal vs. External:

- Stakeholders can be internal (employees, owners, managers) or external (customers, suppliers, creditors, community, government).

Why are Stakeholders Important in Strategic Management?

Strategic Decision-Making:

- Stakeholder analysis helps identify who is most affected by strategic decisions, ensuring that their interests are considered.

Risk Management:

- Understanding stakeholder expectations helps mitigate potential risks and conflicts that could arise from strategic initiatives.

Relationship Management:

- Building and maintaining strong relationships with key stakeholders is vital for long-term success.

Goal Achievement:

- By understanding and managing stakeholder expectations, businesses can better align their strategies with stakeholder needs and achieve their goals.

Types of Stakeholders:

Internal Stakeholders:

- Employees: Their skills, knowledge, and productivity are crucial for the organization's success.
- Owners/Shareholders: They have a financial stake in the company and expect a return on their investment.

Managers/Executives: They are responsible for strategic decision-making and implementation.

External Stakeholders:

- Customers: They are the lifeblood of the business and their satisfaction is vital for survival and growth.
- Suppliers: They provide the resources and inputs needed for the organization's operations.
- Creditors/Lenders: They provide financial resources and expect repayment.
- Community: The local community can be affected by the organization's actions and has an interest in its well-being.
- Government: They set regulations and policies that impact the organization's operations.
- Competitors: They influence the market landscape and can impact the organization's strategies.

Vision, Mission, Purpose,Objectives,goals:

vision represents the desired future state, mission outlines the organization's purpose and how it will achieve its vision, purpose is the reason for the organization's existence, while objectives are specific, measurable goals that support the mission and vision, and goals are broader, longer-term aims.

Here's a more detailed breakdown:

Vision:

- Aspirational and future-oriented, it paints a picture of what the organization wants to become.
- It's a long-term outlook, inspiring and motivating stakeholders.
- Example: "To be the world's most admired company".

Mission:

- Defines the organization's current purpose and how it will achieve its vision.
- It's a statement of what the organization does and why.
- Example: "To provide innovative solutions that improve people's lives".

Purpose:

- The fundamental reason for the organization's existence.
- It's the "why" behind the organization's actions.
- Example: "To make a positive impact on society".

Objectives:

- Specific, measurable, achievable, relevant, and time-bound (SMART) goals that support the mission and vision.
- They are the concrete steps needed to achieve the broader goals.
- Example: "Increase market share by 10% in the next year".

Goals:

- Broad, long-term aims that the organization strives to achieve.
- They are the overarching targets that guide the organization's activities.
- Example: "To become a leader in the industry".

Strategic Intent:

Strategic intent advocates use the term to describe "aspirational plans or an overarching purpose needed to achieve an organization's vision." Embedded within the "aspirational" part of that definition is a focus on winning. Winning customers, winning against competitors, and winning over the broader market. How does strategic intent inspire winning? By focusing a firm's strategy on change initiatives that will lead to competitive advantages. To do that, the first step is to break down what competitive advantages look like in a given industry. For internet retailers, it might be efficiency in logistics and distribution. For pharmaceutical companies, it might be product efficacy and pricing. Whatever the case, strategic intent turns strategy from a "fit" exercise to a "stretch" exercise. I.e., an internet retailer not thinking about how to match a competitor's operations but to create even better operations.

Features Of Strategic Intent:

The specific features of strategic intent are best thought of as a hierarchy or pyramid of sorts. Let's look at the levels from the ground up, starting with vision:

Vision:

We've talked about this one already. A firm's vision articulates the aspirational view of where the firm wants to be. A vision may sound as easy as scribbling down a few broad statements. But it's not that simple since the future is uncertain. A good vision takes into account what kind of new trends or shocks an industry might experience.

Mission:

The second rung of the ladder gets further into a firm's core business. A vision talks about "where" a firm wants to be. A mission speaks to "why" a firm started up in the first place. A great mission explains to shareholders the "non-negotiable" values that a firm embodies as it carries out its business.

Business Definition:

Moving beyond business values, the business definition aspect of strategic intent is pretty self-explanatory. With a vision and mission in place, a firm's business definition is the "x's and o's" of how revenues and profits are made. For strategic intent, a crystallized understanding of business definition is important in order to understand areas of relative advantage/disadvantage.

Business Model:

Building on the business definition pillar, a firm's business model speaks to how a firm operates around the definitional components. A business model is purposeful and a point of differentiation within a firm's strategic intent. In what way is firm X's business model similar and different from firm Y's?

Goals and Objectives:

Lastly, and at the most granular level of strategic intent, are goals and objectives. These are KPIs – metrics of measurement once strategic intent is established. Goals and objectives hold a firm accountable for the strategy it has laid out. Without goals and objectives, a clear-cut strategic intent can become blurred, whichtakes you back to square one.

Hierarchy of strategy:

- Strategies exist at several levels in any organization – ranging from the overall business (or group of businesses) through to individuals working in it.
- In most (large) corporations there are several levels of strategy. Strategic management is the highest in the sense that it is the broadest, applying to all parts of the firm.

- It gives direction to corporate values, corporate culture, corporate goals, and corporate missions.Under this there are corporate strategy , business unit strategy, functional strategy and operational strategy.

Corporate level strategy:

- It is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investors in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often stated explicitly in a "mission statement".
- The companywide game plan for managing a set of businesses. The levels involved are CEO and other Senior Executives.
- refers to the overarching strategy of the diversified firm. Such corporate strategy answers the questions of "in which businesses should we compete?" and "how does being in one business add to the competitive advantage of another portfolio firm, as well as the competitive advantage of the corporation as a whole

Business Unit level strategy:

- Business strategy, which refers to the aggregated operational strategies of single business firm or that of an SBU in a diversified corporation, refers to the way in which a firm competes in its chosen arenas.
- is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities etc.
- Actions to build competitive capabilities and strengthen market position. Executed by General Mangers, Plant Heads, Division heads of each business with inputs from Corporate and Functional levels.

Strategic Business Unit (SBU)

- Many companies feel that a functional organizational structure is not an efficient way to organize activities so they have re –engineered according to processes or strategic business units (called SBUs).
- A Strategic Business Unit is a semi-autonomous unit within an organization. It is usually responsible for its own budgeting, new product decisions, hiring decisions, and price setting.
- An SBU is treated as an internal profit centre by corporate headquarters. Each SBU is responsible for developing its business strategies, strategies that must be in tune with broader corporate strategies

Functional Strategies

- Functional strategies include Marketing Strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, supply-chain strategies, and information technology management strategies.

- The emphasis is on short and medium term plans and is limited to the domain of each department's functional responsibility and is executed by Functional heads. Each functional department attempts to do its part in meeting overall corporate objectives, and hence to some extent their strategies are derived from broader Corporate & Business strategies.

Operational Strategy

- The "lowest" level of strategy is operational strategy.
- At this level, detailing is done to add completeness to Business & Functional Strategies.
- It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria.
- It must operate within a budget but is not at liberty to adjust or create that budget.
- Operational level strategy was encouraged by Peter Drucker in his theory of Management By Objectives (MBO).
- Operational level strategies are informed to business level strategies which, in turn, are informed to corporate level strategies.

Strategic Business Unit(SBU):

A strategic business unit is a fully functional, independently operational setup of a particular business. These units are active and have their vision, growth, and direction. The main objective of such a unit is to maximize profits and mainly focus on offering a particular product targeting a market segment. They are typically small business entities within a large organization that deals with multiple products and services. Therefore the units operate like profit centers with separate business divisions with a set product line or specific goods for a particular location or target audience.

- Strategic business units (SBUs) are small independent divisions of a main business dealing in a particular product with its independent objectives, profit, and customer base.
- These are often observed among global conglomerates with multiple layered business models and various product lines and services worldwide.
- There are four types of SBUs - cash cows, dogs, stars, and question marks- each categorized depending on growth, performance, and market share.
- Each SBU doesn't need to perform well, and sometimes setting up an SBU in the wrong industry can backfire with losses.

Strategic business units (SBU) are separate divisions of a parent company that operates in different industries and market sectors, offering several product lines or services. SBUs are formed within enterprises that usually have huge businesses worldwide providing different goods and services.

A strategic business unit operates on three levels - the headquarter or the parent company always remains at the top, and the SBUs in the middle and below are clustered accordingly. An SBU is supposed to submit its business's performance, results, growth, and revenue from time to time to the parent company.

A strategic business unit plan is essential here because it separates the product lines of a common parent company. In this way, each SBU is known individually, creating more market capitalization than a company with no business units. When a company decides to launch a new product in a different market, the SBU helps in market analysis, research and development, pricing, and creating market awareness and recognition.

The cash flow investment requirement and major decision-making may get sanctioned from the top level. Besides that, each SBU operates freely in the market with its competitors, offers, business strategies, mission, and objectives. Each strategic business unit level has its challenges. It is a complex process for any enterprise to set up an SBU successfully with long-term survival and growth prospects.

The characteristics of a strategic business unit are -

- It is designed to target a specific customer base present in the market.
- Since these business units are independently regulated and operational, they have their market competitors present.
- The SBUs mostly have their shares listed on the stock exchange, separate from their parent companies.
- The customer may or may not know the parent company of an SBU and identify it as a separate entity.
- The SBUs have a manager responsible for all the unit's planning, profitability, and performance.
- A company can establish many SBUs, each with its own planning. Additionally, they shall report the overall performance to the parent company.

Types:

There are four types of strategic business units –

#1 - Star

Star SBUs represent business divisions that reap high growth and market share of the business in its particular sector. Star SBUs are units with a monopoly over a market or big industry giants. They demand high monetary investment and constant cash flow maintain the strategic business unit structure.

#2 - Cash Cows

A cash cow is the SBU that generates the maximum cash or revenue for the business, dominates the market, yet has slow growth. Sometimes, one type of SBU turns into another type of SBU. So if a high-growth market settles down, the star SBU becomes a cash cow.

#3 - Question Marks

The market experts define some units as question marks when a quintessential question arises with such SBUs that are high growth functioning with low shares. Such units demand high monetary investment that is diverted from cash cows. Therefore, corporations always need help understanding whether to invest in or remove such units.

#4 - Dogs

Dogs are the SBUs that businesses have very low hope of growing in the future, and they can never become star SBU. They are underachievers with low market shares and diminishing growth. Such business units only generate enough cash to survive and keep themselves afloat. As a result, these units receive less attention from corporations.

Advantages And Disadvantages:

Here are the main advantages and disadvantages of SBUs:

Advantages:

- The profitability is more likely to increase as an SBU directly targets a separate market section and customer base.
- Creating SBUs helps companies stay, survive and succeed in the market for a long.
- It simplifies the bookkeeping process for big corporations.
- Decision-making becomes easy as not every permission goes to the central authority, and each unit operates independently.
- Offers exhaustive research and development for targeted markets.

Disadvantages:

- Setting up SBUs is a complex process as it separately demands its vision, goals, messaging, promotion, and every other aspect.
- With SBUs, a high level of competition sometimes backfires on the parent company.
- The whole process of strategic business units is expensive and increases the total operational cost for the corporations with staff, hiring, office setups, and a complete hierarchy.
- Most corporations with SBUs need more communication induced by divisional workplaces and head offices.
- There are different types of SBUs, and therefore an unrealized competition among SBUs of the same parent company gets sparked with dirty politics and irrelevant comparison.

Module-2:
Industry Analysis - poter's 5 force analysis :

Michael Porter's five-force strategic analysis model, introduced in a 1979 article published in the Harvard Business Review, remains a fundamental tool for strategic analysts plotting the competitive landscape of an industry.

In a bid to mirror the complexity real strategists would face while keeping their strategic analysis manageable, Porter set out five forces at play in a given industry: internal competition, the potential for new entrants, the negotiating power of suppliers, the negotiating power of customers, and the ability of customers to find substitutes. Below, we take you through each of Porter's five forces, detail the significant critiques of his approach, and show how to apply the model to specific markets.

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Key Takeaways:

- Porter's five forces are used to identify and analyze an industry's competitive forces.
- The five forces are competition, the threat of new entrants to the industry, supplier bargaining power, customer bargaining power, and the ability of customers to find substitutes for the sector's products.
- The model guides businesses in determining the intensity of competition and potential profitability within their market, helping them better understand where power lies in their sector.
- Porter's model was meant to critique "perfectly competitive" business models, unlike real-world markets where competitors aren't just rivals and firms in specific industries tend to rise and fall together.
- Criticisms mounted against the model include that it's too static, doesn't speak to the advantages or problems of specific companies, doesn't account enough for collaborative business models, and doesn't apply as well to quick-changing markets.

Porter's Five Force:

1. Competitive Rivals

Porter's first force is what we usually mean when discussing business competition. We think of Pepsi and Coca-Cola for soft drinks, Apple and Samsung for smartphones, Nike and Adidas for sneakers, and Ford and General Motors for autos.Indeed, some of these rivalries are so influential that consumers split almost culturally among those who have an iPhone, drive a Ford, or prefer Netflix to Hulu. Thus, it's no accident that we also consider business competition chiefly a war among rivals.

Such rivalries can lead to price wars, high-priced marketing battles, and races for slight advances that could mean a competitive advantage. These tactics can stimulate companies to make ever better products but also erode profits and market stability.

Trade

Several factors contribute to the intensity of competitive rivalry in an industry:

- The number of competitors: The more competitors in an industry, the more fierce the rivalry, each fighting for scraps of market share.
- Industry growth: In an expanding industry, competition is usually less dramatic because the market is growing so fast that competitors have little need to fight for customers—think of the automobile industry of the early 20th century and the dot-com boom of the late 1990s. However, in a stagnant or declining industry, competition can be ferocious as firms fight for a larger piece of a shrinking pie, such as in the global coal mining or print media industries of today.
- Similarities in what's offered: When the products or services in a market are awfully similar (think of the lower page of results in any Amazon product search), competition tends to be intense because customers can easily switch. However, if a company offers a unique product or service or has earned brand loyalty, this can reduce competitive rivalry. Apple, Inc. (AAPL) comes to mind in tech goods, just as Rao's Italian sauces or King Arthur flour do in your supermarket aisles, each charging a higher price given its style, taste, or whatever makes it unique.
- Exit barriers: When it's difficult or costly for companies to leave the industry due to specialized assets, contractual obligations, or emotional attachment, they may choose to stay and compete, even if the market's prospects grow dimmer by the day. The airline industry is a classic example. Airlines have high costs for their assets, contractual obligations (leasing agreements and labor contracts), and regulatory requirements, which means that when airlines face a shrinking market—or even an unprofitable route—they can't retreat from the market quickly.
- Fixed costs: Porter notes that if an industry has high fixed costs, companies have a "strong temptation" to cut prices rather than slow production when demand slackens. Paper and aluminum manufacturing are two **good examples that Porter gives.**

2. Potential for New Entrants in an Industry

Industries where new firms can enter more easily almost always have lower profit margins, and the firms involved each have less market share. The sector for local restaurants has relatively low entry requirements:

there aren't significant investments or regulatory hurdles to surmount before opening to the public. Thus, it's also the case that your favorite restaurant may not stay open for long, given the hypercompetitive environment and constant entrance of new restaurants opening.

Here are factors in measuring how much new entrants threaten an industry:

- Economies of scale: Industries where large-scale production leads to lower costs face less of a threat from new entrants. New firms would need to achieve a similar size to compete on price, which might be difficult or costly.
- Product differentiation: When existing firms have strong brand identities or customer loyalty, it's harder for new entrants to gain market share, reducing the threat of entry.
- Capital requirements: High startup costs for equipment, facilities, etc., can deter new entrants. For example, starting a car manufacturing business requires significant investment, so until Tesla Inc.'s (TSLA) growth in the early 2010s, Americans from the 1950s could have named the major U.S. car brands of the early 2000s.
- Access to distribution channels: If existing firms control the distribution channels—retail stores, online platforms, cable infrastructure, etc.—then new entrants would need to find a way to replicate that structure while competing with the established firms on price, a tricky proposition.
- Regulations: Licenses, safety standards, and other regulatory standards can create barriers, making it too ungainly or costly for new firms to enter the market. Examples would include those looking to build new hotels in downtown areas or supply power to a region.
- Switching costs: If it's costly or difficult for customers to switch from existing firms to new entrants, the threat of entry is lower

3. Supplier Power

Suppliers are powerful when they are the only source of something important that a firm needs, can differentiate their product, or have strong brands.When the power of suppliers in an industry is high, this raises costs or otherwise limits the resources a firm needs. Here are some factors used to measure the supplier power of an industry:

- The number of suppliers: When few firms can give a company something it needs to stay in business, each has greater negotiating power. They can raise prices or reduce quality without fear of losing business.

- Uniqueness: If a supplier provides a unique product or it's not easy to find a substitute, it is more dominant. Businesses can't easily switch to another supplier.
- Switching costs: If it's costly or time-consuming to switch suppliers, then they have more power. Businesses are less likely to switch, even if prices increase.
- Forward integration: If suppliers can move into the buyer's industry, they have more power. They already have access to the necessary supplies, making it difficult for their former buyers to compete once they decide to enter the market themselves.
- Industry importance: Some sectors are tightly intertwined, such as automotive suppliers and the major auto companies or the semiconductor and tech industries, which can balance the power between the suppliers and those in the sector. This is because the supplier needs these buyers to do well so that it can, too. When a supplier can just as easily sell its products elsewhere, that gives it a great deal more power.

4. Customer Power

When customers have more strength, they can exert pressure on businesses to provide better products or services at lower prices. This force intensifies under certain conditions:

- The number of buyers: The fewer the buyers, the more they have power. In sectors like aerospace manufacturing, each major airline, the industry's customers, has significant leverage in negotiations and can demand favorable terms because the sellers depend on their business.
- Purchase size: Just like you head off to the big box stores to buy in bulk for a cheaper per-unit cost on whatever now fills up your garage, major retail chains like Walmart Inc. (WMT) buy in large volumes and can negotiate better terms and discounts.
- Switching costs: In industries like telecommunications, where it's easy for consumers to switch providers, companies such as Verizon Communications, Inc. (VZ) and AT&T Inc. (T) have to offer competitive terms.
- Price sensitivity: In the fast-fashion industry, where customers are highly price-sensitive, brands must keep their prices low to attract cost-conscious consumers.
- Informed buyers: In many sectors, the customers are savvy, know the competitive terrain well, and thus can negotiate better prices.

5. Threat of Substitutes

When customers can find substitutes for a sector's services, that's a major threat to the companies in that industry.

Here are some ways that this threat can be magnified:

- Relative price performance: If the cost of a substitute is lower and its performance is comparable or better, customers are likely to switch to the substitute. For instance, streaming services like Netflix became a substitute for traditional cable TV, providing a lower price that soon threatened the cable industry.
- Customer willingness to go elsewhere: The threat is high if buyers find it easy to switch to a substitute. For example, in the early 2010s, customers found switching from taxis to ride-sharing apps like Uber or Lyft cheaper and easier.
- The sense that products are similar: If buyers perceive that there are few differences between your product and a substitute, even if there are, they may be more likely to switch.
- Availability of close substitutes: Though this sounds the same as the last bullet point, you have to strategize differently around it. There are times when potential substitutes are very different from a company's products but consumers still treat them as the same. But in other cases, there are genuinely similar products in the market and the threat of substitutes is high, such as between brand-name and generic medications.

Applying the Model

Since his 1979 Harvard Business Review article, Porter has published many books on strategic analysis, including works where he has expanded on his five-force model. He's also become very concise in providing the specific steps in performing an industry analysis:

- Define the industry: The process begins with a clear description of the industry, helping you to focus your analysis.
- Identify the key players: Specify and group the major actors in the sector into strategic categories based on relevant criteria.
- Assess the strategic strengths: This means evaluating the firm and its industry to determine the better and worse strategies.
- Analyze the industry structure: This involves examining the overall structure of the industry, particularly the factors that influence how profitable it is.
- Evaluating the competitive forces: Only once you've done the above does Porter advise doing a

detailed analysis of the five competitive forces, assessing their positive and negative effects, and then looking forward to any changes in these forces ahead.

- Identify the factors you have some control over: Here, you want to pinpoint aspects of the industry structure that could be influenced by competitors, new market entrants, or your firm. In sum, what can be changed?

Critiques of the Five Forces:

- Porter's model helped reframe the understanding of competition. It wasn't confined to direct rivals but extended to suppliers and customers—traditionally viewed in a transactional light.
- Suppliers, especially those with unique resources or enjoying a monopoly, could dictate terms, lower profits, or, in extreme cases, forward-integrate into the buyer's industry. Customers, too, wield power, especially when buying in bulk or when they can just go elsewhere quickly or choose to bypass companies for in-house products.
- But the model has its pitfalls. For example, many have critiqued the model's emphasis on sector affiliation. Porter concentrates on industry-wide forces, which can sideline an individual company's unique strategies and advantages. This industry-centric view may not fully capture how distinct company characteristics can change the game, not just play within an industry's preset rules.
- The model assumes clear lines among sectors, which may not be tenable given the increasingly blurred lines in today's business world, where companies are simultaneously in several sectors. Industries are no longer isolated silos; instead, they often intersect and interact, leading to a far more complex environment than the model suggests.
- Porter's five-force model has also been critiqued for not adequately addressing the role of partnerships and collaboration.
- While Porter certainly entertained a competitive model where rivalry wasn't just a war to the death, the problem is that he didn't go far enough. In an interconnected global economy, alliances and cooperative strategies are often as pivotal to success as having a competitive advantage, a factor that the model doesn't explicitly consider.
- Another critique that can be filed under "going in the right direction but not far enough" is that the model is too static and fails to account for industries with rapid changes in technology and consumer preferences. While effective in stable sectors, critics say it doesn't apply well to industries marked by fast-paced innovation and shifting demand.

Most strikingly, Porter's model generalizes competition, implying a seemingly uniform industry structure for every market.This might overlook the unique competitive scenarios in different sectors and the increasing importance of the nontraditional strategies involved in digital transformation and platform-based competition.

Strategic group :

Strategic groups can be defined as a group of companies within a particular industry that follows a similar strategy or similar business model. The companies that are part of the same strategic group have more competition with the members of the strategic groups than the competitors outside the strategic group.

A strategic group is a name given to the group of companies in a particular industry that uses a similar business model or a set of strategies. These strategic groups provide services of a specific segment of the industry. Each strategic group is segmented based on their operating environment, threats, and opportunities of the industry.

Because of this, all the companies that provide services in a particular segment of the industry are referred to as members of one strategic group. For example, in the restaurant industry, there are different strategic groups formed based on different variables such as presentation, preparation time, and pricing of the food, etc. The various strategic groups in the restaurant industry are fast food, fine dining, etc.

The composition of the strategic group depends on the way the strategic group is defined. A strategic group differentiates the direct rival of a company from its indirect rivals. The direct competitors of strategic group members are those who are part of the strategic group, and an indirect opponent of a strategic group is the one which is part of the industry but not a member of the strategic group. For example, Burger King and Mcdonalds are direct rivals to each other, whereas any fine dining restaurant will be an indirect rival to both Burger King and Mcdonalds

The term “Strategic group” is introduced by Micheal S. Hunt, a Harward professor in 1972, in his doctoral thesis report. While studying the appliances industry, he learned that the companies that are part of subgroups have high competition among them.

Later the concept of “Strategic groups” was developed by Micheal Porter, and he applied the idea of the strategic group in his strategic analysis. He used the concept of “strategic group” to define the term mobility barrier. The notion of mobility barrier is applied to the company that becomes part of a specific strategic group.

The strategic group causes the industry to have more innovation, lower profitability, decreased prices, and better quality of products and services. Let us understand the concept of strategic groups with the help of examples.

Globalization and industry structure:

"Going global" is often described in incremental terms as a more or less gradual process, starting with increased exports or global sourcing, followed by a modest international presence, growing into a multinational organization, and ultimately evolving into a global posture. This appearance of gradualism, however, is deceptive. It obscures the key changes that globalization requires in a company's mission, core competencies, structure, processes, and culture. As a consequence, it leads managers to underestimate the enormous differences that exist between managing international operations, a multinational enterprise, and managing a global corporation.

The Five Stages of Going Global:

In the first stage (market entry), companies tend to enter new countries using business models that are very similar to the ones they deploy in their home markets. To gain access to local customers, however, they often need to establish a production presence, either because of the nature of their businesses (as in service industries like food retail or banking) or because of local countries' regulatory restric

In the second stage (product specializationThe transfer by firms of the full production process of a particular product to a single, low-cost location and the export of the goods to various consumer markets.), companies transfer the full production process of a particular product to a single, low-cost location and export the goods to various consumer markets. Under this scenario, different locations begin to specialize in different products or components and trade in finished goods.

The third stage (value chain disaggregationThe stage in globalization in which firms start to disaggregate the production process and focus each activity in the most advantageous location.) represents the next step in the company's globalization of the supply-chain infrastructure. In this stage, companies start to disaggregate the production process and focus each activity in the most advantageous location. Individual components of a single product might be manufactured in several different locations and assembled into final products elsewhere. Examples include the PC industry market and the decision by companies to offshore some of their business processes and information technology services.

In the fourth stage (value chain reengineeringThe fourth stage in globalization in which firms seek to increase cost savings by reengineering processes to suit local market conditions.) companies seek to further increase their cost savings by reengineering their processes to suit local market conditions, notably by substituting lower-cost labor for capital. General Electric's (GE) medical equipment division, for example, has tailored its manufacturing processes abroad to take advantage of low labor costs. Not only does it use more labor-intensive production processes—it also designs and builds the capital equipment for its plants locally.

Finally, in the fifth stage (the creation of new markets), the focus is on market expansion. The McKinsey Global Institute estimates that the third and fourth stages together have the potential to reduce costs by more than 50% in many industries, which gives companies the opportunity to substantially lower their sticker prices in both old and new markets and to expand demand. Significantly, the value of new revenues generated in this last stage is often greater than the value of cost savings in the other stages.

It should be noted that the five stages described above do not define a rigid sequence that all industries follow. As the McKinsey study notes, companies can skip or combine steps. For example, in consumer electronics, product specialization and value chain disaggregation (the second and third stages) occurred together as different locations started to specialize in producing different components (Taiwanese manufacturers focused on semiconductors, while Chinese companies focused on computer keyboards and other components).

Core competencies :

Core competencies are the resources and capabilities that comprise the strategic advantages of a business. A modern management theory argues that a business must define, cultivate, and exploit its core competencies in order to succeed against the competition.

- Core competencies are the defining characteristics that make a business or an individual stand out from the competition.
- Identifying and exploiting core competencies is seen as important for a new business making its mark or an established company trying to stay competitive.
- A company's people, physical assets, patents, brand equity, and capital can all make a contribution to a company's core competencies.
- The idea of core competencies was first proposed in the 1990s as a new way to judge business managers compared to how they were judged in the 1980s.
- Examples of companies that have core competencies that have allowed them to remain successful for decades include McDonald's, Apple, and Walmart.

A successful business has identified what it can do better than anyone else, and why. Its core

competencies are the "why." Core competencies are also known as core capabilities or distinctive competencies. Core competencies lead to competitive advantages.
Core competency is a relatively new management theory that originated in a 1990 Harvard Business Review article, “The Core Competence of the Corporation.”

In the article, C.K. Prahalad and Gary Hamel review three conditions a business activity must meet in order to be a core competency:

- The activity must provide superior value or benefits to the consumer.
- It should be difficult for a competitor to replicate or imitate it.
- It should be rare.

The core competencies that distinguish a business vary by industry. A hospital or clinic may focus on excellence in particular specializations, while a manufacturer may identify superior quality control.

Core Competencies in Business:
A business can choose to be operationally excellent in a number of different ways. Below are common core competencies found in business:

- Greatest Quality Products. This core competency means the company's products are most durable, long-lasting, and most reliable. The company will likely have invested in the strongest quality control measures, technically proficient workers, and high-quality raw materials.
- Most Innovative Technology. This core competency means the company is an industry leader in its sector. The company will likely have invested heavy amounts of capital into research & development, holds many patents, and hires experts in respective fields.
- Best Customer Service. This core competency means customers have the greatest experience during (and after) their purchase. The company will likely have invested in training for staff, large numbers of customer service representatives, and processes to manage exceptions or issues as they arise.
- Largest Buying Power. This core competency leverages a company's economy of scale. This company will likely have invested in mergers or acquisitions and have built up strong relationships with vendors to gain favorable pricing or service

- Strongest Company Culture. This core competency promotes the internal atmosphere of the business. The company aims to attract the best talent by investing heavily in employee recognition, development, or collaborative, fun events.
- Fastest Production or Delivery. This core competency means the company is able to make or ship items the fastest. The company will likely have invested in connected software systems as well as production processes and distribution relationships.
- Lowest Cost Provider. This core competency means the company charges the lowest price among comparable goods. The company will likely have invested in the most efficient processes the reduce labor or material input.
- Highest Degree of Flexibility. This core competency allows the company to quickly pivot in response to business opportunities or challenges. The company will likely have invested in cross-training across employees or nimble software solutions.

Low cost and differentiation Strategy:

Low cost strategy focuses on minimizing production costs to offer products or services at a lower price, while a differentiation strategy aims to create unique value perceived by customers, justifying a premium price.

Here's a more detailed breakdown:

Low-Cost Strategy

- Focus:

Achieving the lowest production costs and offering products or services at a lower price than competitors.

- How it works:

Companies strive to reduce costs across all value chain activities, such as production, logistics, and operations.

- Examples:

Walmart (broad range of goods at low prices), IKEA (affordable furniture).

- Advantages:

Can capture market share by attracting price-sensitive customers, and can lead to higher profits if costs are significantly lower than competitors.

- Disadvantages:

Can be difficult to sustain in the long term if competitors also focus on cost reduction, and may require sacrificing some quality or features to maintain low prices.

Differentiation Strategy:

- Focus:

Creating a unique value proposition that customers are willing to pay a premium for.

- How it works:

Companies differentiate their products or services through features, quality, brand image, customer service, or other factors.

Examples:

Apple (unique technology and brand image), Tesla (innovative electric vehicles).

Advantages:

Can command higher prices and profit margins, and can create strong brand loyalty.

Disadvantages:

Can be expensive to implement, and may not be sustainable if competitors copy the differentiation efforts.

Generic building blocks of competitive advantage:

Competitive advantage refers to factors that allow a company to produce goods or services better or more cheaply than its rivals. These factors allow the productive entity to generate more sales or superior margins compared to its market rivals. Competitive advantages are attributed to a variety of factors including cost structure, branding, the quality of product offerings, the distribution network, intellectual property, and customer service.

- Competitive advantage is what makes an entity's products or services more desirable to customers than that of any other rival.
- Competitive advantages can be broken down into comparative advantages and differential advantages.
- Comparative advantage is a company's ability to produce something more efficiently than a rival, which leads to greater profit margins.
- A differential advantage is when a company's products are seen as both unique and of higher quality, relative to those of a competitor.

Competitive advantages generate greater value for a firm and its shareholders because of certain strengths or conditions. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage. The two main types of competitive advantages are comparative advantage and differential advantage.

How to Build a Competitive Advantage:
To build a competitive advantage, a company must know what sets it apart from its competitors and then focus its message, service, and products with that difference in mind. Here are several strategies companies use to build a competitive advantage:

- Research the market: Market research helps a company identify and define its target market, which can guide it in developing the most effective advantage.
- Identify strengths: A company can find its unique strengths, especially relative to competitors, by reviewing products, services, features, positioning, and branding.
- Evaluate finances: Companies can take a close look at their financial performance to spot profit centers and areas of stability, using financial statements and ratios.
- Review operations: How efficient is a company's operations? Where is it effective, and where is there room for improvement? Consider customer service as well as production and supply chain management.
- Research and development (R&D): Securing intellectual property prohibits competitors from using processes or know-how that the company can use to produce products competitors can't legally copy.
- Consider human resources: The talent a company can attract as employees and leadership can make an important difference in the success of the business. Evaluating company culture, hiring, and staffing practices can help.

Distinctive Competencies:

Distinctive competence refers to a superior characteristic, strength, or quality that distinguishes a company from its competitors. This distinctive quality can be just about anything—innovation, a skill, design, technology, name recognition, marketing, workforce, customer satisfaction, or even being first to market.

Via distinctive competency, a company can provide a premier value to customers. This
unique aspect of the company, product, or service is difficult to imitate by the competition and creates a strong competitive advantage.

To be successful in the short- and long-term, companies need both core and distinctive competencies.

Distinctive competencies enable companies to:

- Increase competitive advantage
- Improve customer delight and loyalty
- Stand apart from competitors
- Be difficult to imitate
- Strengthen strategy

Distinctive competence isn't set in stone, however. Changes and trends in the market will inevitably impact competencies. As a result, companies that build and reconfigure distinctive competencies are poised forlong-term success in an ever-changing marketplace and world.

Resource and capabilities durability of competitive advantage:

Competitive advantage refers to the factors that allow a company to produce goods or services more effectively than its competitors, resulting in superior profits or market share. The durability of competitive advantage depends heavily on the resources and capabilities a company possesses. These elements, when leveraged correctly, can sustain an advantage over time. Here's a breakdown of how resource and capability durabilities contribute to competitive advantage:

1. Resources and Capabilities

- **Resources** are the assets and inputs a firm controls that are crucial to its competitive advantage. These can be tangible (e.g., machinery, technology, financial capital) or intangible (e.g., brand reputation, intellectual property, organizational culture).
- **Capabilities** are the firm's ability to utilize and deploy its resources effectively. They are the company's skills, knowledge, and processes that allow it to perform activities better than competitors. Examples include R&D expertise, operational efficiency, and customer service.

2. Durability of Resources and Capabilities

The durability of competitive advantage largely depends on how long a firm can maintain its resources and capabilities relative to competitors. There are several factors that affect the durability:

a. Immobility of Resources

- **Rare and valuable resources** that are not easily replicated by competitors are more likely to sustain a competitive advantage.
- **Inimitability**: If competitors cannot easily acquire or replicate a firm's resources (e.g., patents, exclusive access to a key supplier), these resources provide long-term advantage.

b. Path Dependency

- Path dependency refers to how a company's historical decisions shape its future capabilities. Firms that have built unique processes, organizational knowledge, or customer relationships over time can create a competitive advantage that is hard for others to replicate.

c. Non-substitutability

- Resources and capabilities that cannot be substituted easily are more durable. For example, a highly skilled workforce or proprietary technology can be difficult for competitors to replace with alternatives.

d. Complexity and Tacitness

- **Complex and tacit capabilities** are harder for competitors to imitate. Tacit knowledge, which is difficult to codify or transfer, creates a competitive advantage that endures. For example, the knowledge embedded in a company's culture, leadership, or deep R&D expertise cannot easily be copied.

e. Social Complexity

- Socially complex resources, such as the culture of an organization, its relationships with suppliers, or its reputation with customers, can be a source of sustained advantage. These elements are often difficult for competitors to imitate due to the complex, human-centered factors involved.

f. Legal Protection

- **Intellectual property (IP)** like patents, trademarks, or copyrights can protect a company's resources and capabilities, extending their durability. Legal protections can prevent competitors from replicating a firm's key innovations or technologies.

3. Dynamic Capabilities and Innovation

- **Dynamic capabilities** are the company's ability to adapt, integrate, and reconfigure its resources and capabilities in response to changing environments. This is critical for maintaining long-term competitive advantage in fast-changing industries.
- The ability to innovate—whether in products, processes, or business models—also plays a crucial role in sustaining competitive advantage over time. Companies that continually evolve and stay ahead of technological and market changes can avoid becoming obsolete.

4. Sustainability of Competitive Advantage

To sustain competitive advantage, firms need to manage the following:

- **Resource Renewal**: Continuously updating and renewing resources is crucial for staying ahead. Firms must invest in R&D, employee development, and strategic partnerships to keep their capabilities fresh and relevant.
- **Adaptation**: As industries and technologies evolve, companies need to be flexible and adapt their resources and capabilities to new market realities. Failure to adapt can lead to the erosion of competitive advantage.
- **Avoiding Competitive Imitation**: Competitors will often attempt to replicate a successful business model or resource configuration. To prevent this, companies must protect their innovations, maintain high entry barriers (e.g., brand loyalty, network effects), and focus on continuous improvement.

5. Resource-Based View (RBV) and Competitive Advantage

The **Resource-Based View (RBV)** of the firm emphasizes that a firm's resources and capabilities are central to its ability to achieve a sustained competitive advantage. According to RBV, for resources to contribute to a competitive advantage, they must meet the VRIO criteria:

- **Value**: The resource must provide value in exploiting opportunities or neutralizing threats.
- **Rarity**: The resource must be rare among competitors.

- **Imitability**: The resource must be difficult to imitate or substitute.
- **Organization**: The company must be organized to exploit the resource effectively.

6. Strategic Implications for Firms

- Companies should focus on **developing and protecting rare, valuable, inimitable, and non-substitutable resources**.
- Developing **dynamic capabilities** is crucial in industries characterized by rapid change, allowing firms to adapt and respond to evolving market conditions.
- Firms should seek **continuous innovation** and **long-term strategic planning** to maintain a competitive edge in the face of market competition and technological advancements.

Sustainable Competitive Advantage:

Sustainable competitive advantage refers to a firm's ability to maintain its edge over competitors for an extended period, allowing it to consistently outperform rivals in terms of profitability, market share, and overall performance. A sustainable competitive advantage is not easily replicated or eroded, and it allows a company to secure long-term success in the marketplace. Here are key aspects of sustainable competitive advantage:

Key Elements of Sustainable Competitive Advantage

For a competitive advantage to be sustainable, it must meet certain criteria:

a. Value Creation

- A sustainable competitive advantage must create significant value for customers, stakeholders, and the company itself. This could be through product differentiation, unique customer experiences, or innovative solutions.
- Companies that create high value for customers, while maintaining efficiency and cost-effectiveness, can secure a lasting market position.

b. Imitability

- To be sustainable, the advantage should be difficult for competitors to replicate. The harder it is to copy or substitute a firm's competitive advantage, the more sustainable it becomes.

- **Inimitability** arises from factors such as proprietary technology, organizational culture, patents, strong brand reputation, and unique customer relationships.

c. Rare Resources and Capabilities

- Sustainable competitive advantage often relies on rare, valuable resources that competitors do not have easy access to. These resources could include intellectual property, access to capital, skilled labor, or strategic partnerships.
- **Resource-based view (RBV)**: According to the RBV, firms should focus on securing and leveraging unique, valuable, and rare resources to create a competitive advantage that is hard to duplicate.

d. Non-substitutability

- Resources or capabilities must not have easily substitutable alternatives. If competitors can find a similar resource or capability to replace yours, the advantage is likely to be short-lived.
- For instance, a company's brand reputation or customer loyalty can be non-substitutable, meaning that competitors would struggle to find a viable alternative to replicate that same level of trust or val

Building Blocks of Sustainable Competitive Advantage

a. Brand Equity and Reputation

- A strong brand can create a significant barrier to entry for competitors, making it difficult for them to attract customers. A trusted brand represents reliability, quality, and familiarity, which leads to customer loyalty.
- **Example**: Apple's brand reputation for innovation, design, and quality is a powerful, sustainable competitive advantage in the consumer electronics industry.

b. Innovation

- Continuous innovation ensures that a firm stays ahead of competitors by offering new and improved products, services, or business processes. The ability to innovate continually can provide a company with long-lasting advantages.
- **Example**: Companies like Tesla have sustainable advantages by continuously innovating in electric vehicles and energy solutions, keeping competitors behind.

c. Operational Excellence

- Firms that develop superior processes, efficiencies, and customer service capabilities can maintain an edge over competitors. Operational excellence includes things like cost leadership, production efficiency, and supply chain management.
- **Example**: Amazon's logistical infrastructure and operational efficiency allow it to maintain its competitive edge, enabling faster and cheaper deliveries.

d. Customer Loyalty and Relationships

- Building strong, long-term customer relationships through exceptional service, personalized experiences, and engagement helps firms secure a sustainable competitive advantage.
- **Example**: Companies like Starbucks have built strong customer loyalty through their rewards programs, personalized services, and consistent customer experience.

e. Network Effects

- Some businesses benefit from network effects, where the value of a product or service increases as more people use it. A strong network can create a self-reinforcing advantage that competitors cannot easily replicate.
- **Example**: Social media platforms like Facebook or LinkedIn benefit from network effects—the more users there are, the more valuable the platform becomes.

Barriers to Imitation and Durability

For a competitive advantage to be sustainable, firms must put barriers in place that make it difficult for competitors to imitate their success:

a. Intellectual Property (IP) Protection

- Patents, copyrights, and trademarks provide legal protection for innovations, preventing competitors from copying key products, technologies, or branding strategies.

b. Learning Curve Effects

- Over time, companies accumulate experience and knowledge that give them a competitive edge in their operations. These learning effects can be challenging for competitors to replicate quickly.

- **Example**: In industries like aerospace or semiconductors, firms with years of experience have a cost and efficiency advantage over newer entrants.

c. Resource Control

- Gaining exclusive access to critical resources (e.g., prime locations, raw materials, or distribution channels) can serve as a competitive advantage. This is particularly true in industries where access to resources is limited or difficult to control.
- **Example**: Oil companies like ExxonMobil benefit from exclusive access to oil reserves and extraction technologies.

d. Regulatory and Legal Barriers

- Firms that operate in heavily regulated industries can establish sustainable competitive advantages by ensuring they comply with laws or secure government contracts or licenses that limit the ability of competitors to enter the market.
- **Example**: Pharmaceutical companies often hold sustainable advantages due to patents and the regulatory approval process that new competitors must go through.

Adapting to Changes in the Market

Sustainability also involves adapting to shifts in the market environment, technology, and customer preferences. Firms must embrace **dynamic capabilities** to respond effectively to changing conditions:

a. Innovation and R&D

- Continuously investing in research and development (R&D) ensures that a firm can innovate and remain relevant in a changing market environment.

b. Agility and Flexibility

- Companies that remain flexible in their business models, operations, and strategies are more likely to weather market shifts and technological advancements, preserving their competitive advantage over time.

c. Monitoring Competitive Landscape

- Regularly analyzing competitors and market trends helps firms stay ahead of emerging threats and new opportunities, adjusting their strategies to maintain a competitive edge.

5. Strategic Implications for Firms

- **Focus on Core Competencies**: A firm should focus on the resources and capabilities that give it a distinctive advantage and avoid diversification into areas where it lacks expertise.
- **Continuous Improvement**: Sustainability requires constant efforts to improve operational efficiencies, enhance customer relationships, and foster innovation.
- **Protecting and Leveraging Intellectual Property**: Firms should actively protect and maximize the value of their IP and know-how.
- **Engage in Long-term Thinking**: Sustainable competitive advantage is a long-term proposition. Firms need to think beyond short-term profits and focus on building enduring capabilities and resources.

Module-3:
Strategy Implementation and Evaluation :

The generic strategic alternatives:

Michael Porter developed three generic strategies, that a company could use to gain competitive advantage, back in 1980. These three are: cost leadership, differentiation and focus.

1. Cost Leadership:

This involves becoming the lowest-cost producer in the industry, aiming to achieve economies of scale, and potentially offer products at lower prices.

2. Differentiation:

This focuses on making a company's products or services unique and valuable to customers, potentially commanding a premium price.

3. Focus:

This involves concentrating on a specific niche or segment of the market, either through cost leadership or differentiation within that niche.

The cost leadership strategy advocates gaining competitive advantage due to the lowest cost of production of a product or service. Lowest cost need not mean lowest price. Costs are removed from every link of the value chain- including production, marketing, and wastages and so on. The product could still be priced at competitive parity (same prices as others), but because of the lower cost of production, the company would be able to sustain itself even through lean times and invest more into the business all throughout.

Examples are the TPS system developed by the Toyota Motor Company. The TPS system aims to cut costs throughout the company, but Toyota cars are still priced at almost the same levels as American or other Japanese cars.

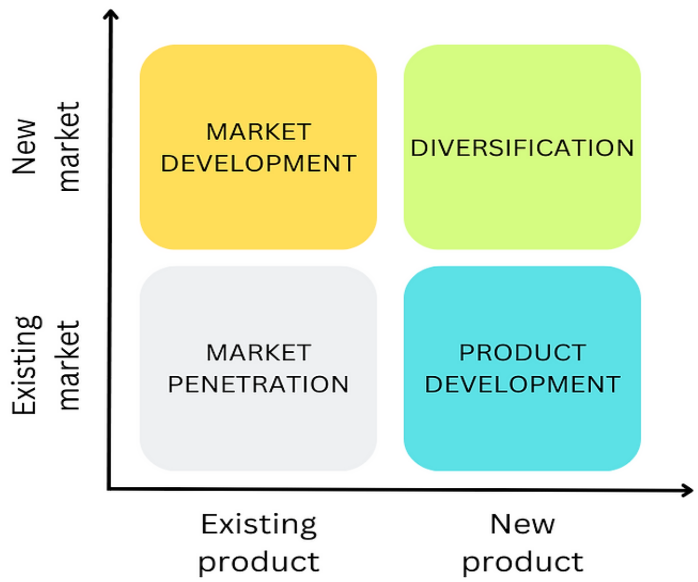
The 'differentiation' strategy involves creation of differentiated products for different segments. A variety of products, each branded and promoted differently with levels of function, allows a company to 'desensitize' prices, and on the basis of being different, charge premium or higher prices. This strategy also provides a hedge against different markets and product life cycles, allowing cash flow to come in even if a few products decline, while others grow or mature.

A prime example of this strategy is Hindustan Lever, which, while focused on FMCG, has a range of products even within the soaps category for different segments. Such a strategy needs strong segmentation, marketing and branding skills.

The 'focus' strategy involves focusing on a narrow, defined segment of the market, also called a 'niche' segment. For example, Porche markets to the particular segment that likes fast and expensive cars and can afford it. A company in a niche market has customers who understand, appreciate and can pay a premium for their indulgence. Competitive advantage - either by cost or differentiation- is created especially for the niche. But the risks are that the niche may not grow, or it may disappear with time and change.

1. Growth strategies:

- Growth corporate-level strategies are also known as expansion strategies. A growth strategy involves major increases in activities within a company’s business definition. That is, growth strategies expand a company’s business operations.
- Growth strategy takes several forms, including increasing market share by concentrating on the core business, rolling out new products, or expanding into new markets.
    1. Market penetration
    2. Product development
    3. Market development
    4. Diversification



1. Market penetration strategy:

- Market penetration is the number of customers you have in a market compared to the estimated total available market (total number of customers in the market).
- **Market penetration = (number of customer's/ target market size) x 100**
- For example, consider that the total estimated market for your product/ service is 1 million people, but you're able to have only 50 thousand among them as customers. Your market penetration is 5%.
- It means 95% of the target market (some 950 thousand people) remains untapped. Thus, market penetration can show the potential for future growth in a market.
- **Market penetration strategy means working to get a higher market share by tapping into existing products in existing markets.**
- To use market penetration strategies, your company must already exist in the market with a product. The aim of market penetration strategies is to increase sales and your customer base by winning over some (or all, if possible) of your competitors' customers.

2. Product development strategy:

- Another expansion strategy to increase the efforts and bottom line of your business is product development.
- Product development strategy is creating new products or enhancing existing products to create new business in an existing market**.**
- Product development goes through many stages, from ideation to commercialization. Specifically, all product development goes through the following stages:
- **Ideation**. The team brainstorms to come up with ideas for a new product.
- **Idea screening**. The product development team screens the idea and selects those with the most potential to do well in the market.
- **Prototyping**. Use the ideas selected to create a prototype of the proposed product. Use the prototype to determine whether the product will function as intended.
- **Analysis**. Test the product out in the market, and analyze possible problems with it.
- **Product creation**. Incorporate feedback from analysis into the prototype and create the finished product.
- **Marketing testing.** Test the product in a focus group to evaluate customer feedback and the effectiveness of its marketing.
- **Commercialization**. Make necessary adjustments based on market testing, then release the product to the wider market.

3. Market development strategy:

- Market development is a business growth strategy focusing on bringing existing products to new markets.
- Market development is about expanding into new markets with the same products/ services you're already selling. It increases your customer base and bottom line by selling your products/ services in previously unexplored markets.
- Every market development strategy involves certain steps. These include:
- **Research your growth opportunities**. When expanding to a new market, start by identifying your target audience in the new market. Then analyze the new market to know your potential competitors and identify opportunities for capturing the market.
- **Establish your goals**. Develop a business-level strategy. Know what you want to achieve by entering the new market. Develop goals for the aspects of your business you want to grow, such as increased sales and net profit, etc.
- **Allocate resources**. Determine the resources you need to achieve your goals (funding, equipment, staff, etc.). Also, identify how you'll source these resources.
- **Develop a marketing plan**. Entering a new market requires increasing marketing needs as you need to generate brand awareness and generate demand. You should create a plan for how to do this. Marketing channels to consider include email marketing, social media advertisements, radio & TV advertisements, local marketing, etc.
- **Launch your product**. Introduce the product to the new market.
- **Analyse results**. Collect marketing data, and track the product's success in the new market.

4.Diversification strategy:

- Diversification is a business growth strategy that involves introducing new products to new markets.
- Companies diversify to expand into unexplored markets and increase profitability.
- The diversification strategy is often used by companies that have established a strong reputation in their existing markets. Their reputation goes ahead of them to bring customers when they enter new markets with a new product.
- However, diversification is a high-risk business-level strategy. First, there're risks associated with developing new products. Secondly, there're risks associated with entering a new market.

Types of diversification:

- There are three types of diversification - concentric, horizontal, and conglomerate.

1. **Concentric diversification:**

Concentric diversification involves bringing new products, which are closely related to existing products, to market. This allows the company to take advantage of existing competencies and resources when developing the new product.

An example of concentric diversification is when a regular car manufacturer produces an electric car.

2. **Horizontal diversification:**

Horizontal diversification involves bringing a new product (that complements an existing product) to market. The new product is unrelated to your existing product, but customers use them together. An example is a clothing company launching a footwear line or a washing machine manufacturer launching a detergent.

When products are complimentary, customers who buy one will seek out the other. So, horizontal diversification relies on customer loyalty for existing products transferring to new ones.

3. **Conglomerate diversification:**

Conglomerate diversification involves entering new markets with products completely unrelated to existing ones. The business, which is then known as a conglomerate, operates multiple business entities in entirely different industries.

An example is a washing machine manufacturer launching a tomato paste product.

2.Stability Strategies

A stability strategy focuses on the existing business and market. It is a business strategy where the company focuses on maintaining a current position that is already working well for it. For this reason, the stability strategy is often called the "status quo strategy."

Unlike growth corporate level strategies, stability strategies do not have new business development in their focus. The company does not seek to develop new products or enter new markets. Instead, it focuses on serving customers in the same market and with the same products/ services as defined in its business definition.

However, a stability strategy is not a "do-nothing" strategy. It focuses on incremental improvement of functional performance. It seeks business growth but at a slow, sustainable rate.

The different types of stability strategies are pause, no-change, and profit-oriented.

1. Pause strategy:

- The pause strategy is a stability strategy that companies adopt after a period of rapid growth.
- After investing in growth strategies, the best practice is to have some rest time before pursuing further growth. The purpose of the brief "rest time" is to analyze the situation and act accordingly, consolidating results for increased profitability.

- When adopting the pause strategy, you move cautiously by only marginally altering various business units to enhance their functional performance. This may include improving certain technologies, customer functions, etc.
- Each business unit you marginally alter experiences cost efficiency and higher productivity.

2. No change strategy:

- No change strategy explains itself in its name. It means "not doing anything new but continuing with what is working fine already."
- When taking the no-change stability strategy, the firm is unwilling to try something new that may affect its current position. So, it channels resources into optimizing what it is already doing.
- The no-change strategy works when the external business environment is predictable and doesn't pose any immediate threats. For example, the firm has a relatively good market base and faces little or no competition.

3. Profit strategy:

- The profit strategy focuses on generating cash flows while maintaining status-quo (or continue doing what is already working for the company).
- Profit-oriented stability strategy is made necessary by an unfavorable external environment. Sometimes a business that is doing fine may have its profitability impacted by elements like government regulations, economic recession, market competition, etc.
- The company may decide to counter these effects and maintain profitability without branching into new business activities.

3.Retrenchment Strategies:

A retrenchment corporate strategy aims to change a negative trajectory to improve a company's position.

A retrenchment strategy is a defensive strategy that helps a company stay in business and maintain cash flow by "cutting off" parts weighing it down. Cutting off underperforming parts allows a company to focus on core competencies, giving itself a new chance at corporate success.

Some examples of retrenchment strategies include:

1. Divestment strategy:

- Divestment strategy or divestiture means getting rid of aspects of a business by closing them down or selling them off.
- One popular reason for letting go of a business unit is poor performance. If a business unit consistently performs below expectations despite all efforts to revive it, you may be better off closing it down or selling it off. This allows you to concentrate on business units that are performing well.

- Divestment can also be a strategy to raise funds. Selling off a business unit can give you capital to improve the production of your main products/ services. You may also use such funds to pay off debts and solve insolvency issues.
- Divestment strategies streamline your business as it lowers the complexity of the overall business.

2. Turnaround strategies:

- As the name suggests, a turnaround strategy involves a complete departure from the previous course of action. It requires doing things differently in an attempt to change the company's fortune.
- Unpleasant business outcomes necessitating turnaround strategies include a bad business decision, company mismanagement, shrinking industry, loss of market share, etc.
- Examples of turnaround strategies include:

3. Mergers and acquisitions:

- A merger is when two separate entities combine to create a new, joint organization, while an acquisition is when a company takes over another.
- In mergers, a new company emerges. But in acquisitions, a new company does not emerge. One company ceases to exist, while the other becomes a bigger company.
- However, mergers and acquisitions consolidate a business, increasing efficiency and capability. Mergers and acquisitions increase market share, distribution channels, and more.

4. Corporate restructuring:

- Restructuring is the process of reorganizing a business' resources to make it operate more efficiently.
- Restructuring modifies the financial and operational aspects of a company. Thus, companies restructure when facing financial difficulties and need to change strategic direction.
- Companies can restructure both through financial and non-financial measures. Financial measures include reorganizing business debts, reducing expenses and labor costs, and boosting productivity. Non-financial measures of restructuring include reorganizing human resources and distribution channels, and improving the client base.

5.Management change:

- Retrenchment strategies also include management change, which occurs when an organization changes its top managers' structure, composition, and responsibilities.
- It is done to improve a company's performance, especially when the management is not performing well, or the business is facing financial difficulty.
- Management change relies on getting new ideas from the new people placed in leadership positions to help the company regain its competitive advantage.

6.Personnel cuts/ Lay-offs:

- Another retrenchment strategy to improve a business' position is personnel cuts. An organization uses personnel cuts by trimming its workforce to reduce costs during a financial crisis.

7.Liquidation:

- Liquidation is the process of "winding up" a business and selling off its assets to pay off its debt and obligation. Liquidation is the last resort retrenchment strategy to close the business.

4.Combination Strategy:

- A combination strategy means using a mix of the other corporate strategies (growth, stability, and retrenchment) either simultaneously or sequentially to improve performance.
- A company using a combination strategy focuses on its business portfolio and so changes its strategy as it sees fit to enhance value creation. An organization uses a combination strategy if it consciously adopts several strategies for different parts of the business.
- For example, a firm may use a retrenchment strategy to close down underperforming product lines while concentrating on its core business and using market development to take the core product to new markets.

Business level strategy:

A business-level strategy is an innovative way for a company to showcase its unique assets, increase its competitive edge and help the individual components of its company function as one whole unit. This tactic focuses on strengthening the way departments interact with one another and view their role within the company while setting guidelines to achieve an overarching goal.

Types of business level strategy:

1.Corporate Level Strategy:

This strategy is implemented at the highest level of the company. Company executives look at ways to improve and expand the company. They might identify additional markets they can enter.

2. Business Level Strategy:

This strategy focuses on how corporate aspirations will be implemented within individual company settings.

3.Functional Level Strategy:

This strategy focuses on the individual tasks of departments and employees in working toward corporate goals.

Implementation of a Business Level Strategy:

To implement a successful business-level strategy that will benefit your business, your goals must be identified and carried out in each area of your company. To do this, you need to have a detailed plan set in place. The following list will identify seven steps you can take to create a profitable business-level strategy within your company:

1. Conduct Market Analysis

Assess the competitive landscape, customer needs, and market trends to identify potential opportunities. Here, tools like Accelerated Discovery with AI, with its customizable GenAI prompts can help business analysts gather customer and market insights faster, allowing them to focus on deeper analysis.

2. Evaluate Internal Capabilities

Examine the company's internal resources, capabilities, and core competencies to determine its strengths and areas where it can excel.

3. Define Company Goals

Clearly define the company's objectives, both short-term and long-term, to guide the strategy selection process.

4. Assess Risk Tolerance and Financial Constraints

Evaluate the company's risk appetite and financial limitations to understand the feasibility of different strategies.

5. Analyze Strategy Options

Consider various business-level strategies, such as cost leadership, differentiation, focused strategies, or an integrated approach. Assess the benefits, risks, and requirements of each strategy.

6. Align Strategy with Strengths

Select a strategy that leverages the company's strengths and resources, enabling it to create a competitive advantage in the market.

7. Consider Customer Alignment

Evaluate how well the chosen strategy aligns with the needs, preferences, and expectations of the target customer segment.

8. Analyse Long-Term Sustainability

Assess the potential for the long-term sustainability of the chosen strategy, considering factors such as market dynamics, changing customer preferences, and technological advancements.

9. Regularly Review Strategy

Continuously review and adapt the strategy to ensure it remains relevant and effective in response to evolving market conditions.

10. Execute and Monitor

Develop a detailed plan for implementing the chosen strategy, and closely monitor its progress and impact on key performance indicators.

Strategies in global environment:

In a global environment, a company's strategy involves expanding operations and sales into new markets, balancing global efficiency with local responsiveness, and adapting to diverse cultural and economic contexts.

Here's a breakdown of key aspects:

1. Types of Global Strategies:

- **Global Strategy:**

  Focuses on standardization and efficiency across different markets, aiming to leverage economies of scale and create a unified brand image.

- **Multidomestic Strategy:**

Tailors products, marketing, and operations to the specific needs and preferences of each local market.

- **Transnational Strategy:**

Attempts to balance global efficiency with local responsiveness, seeking to create a flexible and adaptable organization.

2. Key Considerations for Global Strategy:

- **Market Analysis:**

Understanding the competitive landscape, customer preferences, and economic conditions in target markets is crucial.

Competitive Advantage:

Identifying and leveraging unique strengths to differentiate the company in global markets.

- **Organizational Structure:**

Adapting the structure to support global operations, such as establishing regional hubs or international teams.

- **Cultural Sensitivity:**

Understanding and respecting cultural differences in communication, business practices, and consumer behavior.

- **Supply Chain Management:**

Ensuring efficient and reliable supply chains that can support global operations.

- **Risk Management:**

Identifying and mitigating potential risks associated with operating in different countries, such as political instability, currency fluctuations, and legal differences.

3. Benefits of a Global Strategy:

- **Increased Sales and Revenue:**

Accessing new markets and customer bases can lead to significant growth.

- **Enhanced Brand Awareness:**

Establishing a global presence can increase brand recognition and reputation.

- **Cost Reduction:**

Leveraging economies of scale and global sourcing can reduce production costs.

- **Innovation and Learning:**

Exposure to different markets and cultures can foster innovation and learning.

- **Competitive Advantage:**

A strong global strategy can help companies gain a competitive edge in the global marketplace.

Corporate strategy:

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.

Types of Corporate Strategy:

1.Growth:

A growth strategy is a plan or goal for the company to create considerable growth in different areas. It could refer to overall growth, but it could also encompass only specific areas, such as sales, revenue, following or company size. Companies can accomplish growth strategies through concentration or diversification. Concentration refers to a company developing the core of its business, such as a bookstore investing in selling more books. Diversification is when a company enters new markets to expand its business.

2.Stability:

Stability strategies refer to a company staying within its current industry or market because it's already succeeding in its current situation. This strategy maintains the company's success by continuing practices that work for the company. To do this, the company might invest in areas in which they're doing well, such as

customer satisfaction. For example, the marketing team might create advertisements with coupons on them to send to customers to further improve customer appraisal.

3.Retrenchment:

The retrenchment strategy encourages the company to change paths to improve the business. This might mean switching business models or changing markets. The goal of this is to reduce or manage parts of the business that don't work for the company. A company might achieve this by either switching the business's pathway or by removing parts of the business. For example, if a product line is decreasing company sales, the product management team might remove the line to save profit.

4.Reinvention:

Reinvention strategies are when a company reinvents, or redesigns, an aspect of the business that may be old or irrelevant. The company might update it with new designs, technologies or products. To accomplish this strategy, a project manager could reinvent a function by significantly changing a good or service. An example of this could be converting a physical store into an online store.

Vertical Integration:

Vertical integration is a strategy that companies use to streamline their operations. It involves taking ownership of various stages of its production process. Companies achieve vertical integration through mergers or acquisitions or establishing suppliers, manufacturers, distributors, or retail locations rather than outsourcing them. Vertical integration often requires significant initial capital investment

- Vertical integration is when a company takes ownership of suppliers, distributors, or retail locations to obtain greater control of its supply chain.
- Vertical integration increases efficiency, reduces costs, and boosts control along the manufacturing or distribution process.
- Upfront capital investment is required for vertical integration.

Types of Vertical Integration:

- **Backward Integration:** A company seeks to acquire a raw material distributor or provider at the beginning of a supply chain. Backward integration moves the ownership control of its products to a point earlier in the supply chain or the production process. A furniture retailer may seek to acquire a wood distributor or a furniture manufacturer.
- **Forward Integration:** A company expands control of the distribution process and sale of its finished products with forward integration. A clothing manufacturer who sells its finished products to a middleman, who then sells them in smaller batches to individual retailers may join a retailer and be able to open stores. Forward integration is less common because it is often more difficult for companies to acquire others along the supply chain. For example, the largest retailers at the end of the supply chain have the greatest capital on hand to be the acquirer.
- **Balanced Integration:** A company mergeswith companies both before it and after it along the supply chain. A company must be the middleman and manufacture a product in balanced integration. Consider the supply chain process for Coca-Cola (KO) where raw materials are sourced, the beverage

is made, and bottled drinks are distributed for sale. Should Coca-Cola merge with its raw material providers and retailers that sell the product, the company engages in balanced integration. Due to the diversified nature of business operations, balanced integration helps a company control the entire supply chain process.

Pros:

- Long-term cost saving due to favourable pricing and minimal supply chain disruptions
- Economies of scale, which increase efficiency
- Reduces or eliminates the need to rely on external parties/suppliers
- Greater control over the product, inputs, and process, which may lead to superior products.

Cons:

- Requires large upfront capital requirements to implement
- Reduces a company's long-term flexibility
- Loss of focus on a company's primary objective or customer
- Displeased customer base that would prefer to work with smaller retailer

Diversification:

Diversification is a risk management strategy that creates a mix of various investments within a portfolio. A diversified portfolio contains a mix of distinct asset types and investment vehicles in an attempt to limit exposure to any single asset or risk.

The rationale behind this technique is that a portfolio constructed of different kinds of assets will, on average, yield higher long-term returns and lower the risk of any individual holding or security.

- Diversification is a strategy that mixes a wide variety of investments within a portfolio in an attempt to reduce portfolio risk.
- Diversification is most often done by investing in different asset classes such as stocks, bonds, real estate, or cryptocurrency.
- Diversification can also be achieved by purchasing investments in different countries, industries, sizes of companies, or term lengths for income-generating investments.
- The quality of diversification in a portfolio is most often measured by analyzing the correlation coefficient of pairs of assets.
- Investors can diversify on their own by investing in select investments or can hold diversified funds.

Diversification Strategies:

As investors consider ways to diversify their holdings, there are dozens of strategies to implement. Many of the methods below can be combined to enhance the level of diversification within a single portfolio.

Asset Classes

Fund managers and investors often diversify their investments across asset classes and determine what percentages of the portfolio to allocate to each. Each asset class has a different, unique set of risks and opportunities. Classes can include:

- **Stocks**: Shares or equity in a publicly traded company
- Bonds:Government and corporate fixed-income debt instruments
- **Real estate**: Land, buildings, natural resources, agriculture, livestock, and water and mineral deposits
- **Exchange-traded funds (ETFs)**: A marketable basket of securities that follow an index, commodity, or sector
- Commodities: Basic goods necessary for the production of other products or services
- **Cash and short-term cash-equivalents (CCE)**: Treasury bills, certificate of deposit (CD), money market vehicles, and other short-term, low-risk investments

The theory holds that what may negatively impact one asset class may benefit another. For example, rising interest rates usually negatively impact bond prices as yield must increase to make fixed income securities more attractive. On the other hand, rising interest rates may result in increases in rent for real estate or increases in prices for commodities.

Industries/Sectors

There are tremendous differences in the way different industries or sectors operate. As investors diversify across various industries, they become less likely to be impacted by sector-specific risk.

For example, consider the CHIPS and Science Act of 2022. This legislation impacts many industries, though some companies are more affected than others. Semiconductor manufacturers will be largely impacted, while the financial services sector might feel smaller, residual impacts.

Investors can diversify across industries by coupling investments that may counterbalance different businesses. For example, consider two major means of entertainment: travel and digital streaming. Investors hoping to hedge against the risk of future major pandemic impacts may invest in digital streaming platforms (positively impacted by more shutdowns). At the same time, they may consider simultaneously investing in airlines (positively impacted by fewer shutdowns). In theory, these two unrelated industries may minimize overall portfolio risk.

Corporate Lifecycle Stages (Growth vs. Value)

Public equities tend to be broken into two categories: growth stocks and value stocks. Growth stocks are stocks in companies that are expected to experience profit or revenue growth greater than the industry average. Value stocks are stocks in companies that appear to be trading at a discount based on the current fundamentals of a company.

Growth stocks tend to be riskier as the expected growth of a company may not materialize. For example, if the Federal Reserve constricts monetary policy, less capital is usually available (or it is more expensive to borrow), creating a more difficult scenario for growth companies. However, growth companies may tap into seemingly limitless potential and exceed expectations, generating even greater returns than expected.

On the other hand, value stocks tend to be more established, stable companies. While these companies may have already experienced most of their potential, they usually carry less risk. By diversifying into both, an investor would capitalize on the future potential of some companies while also recognizing the existing benefits of others.

Market Capitalizations (Large vs. Small)

Investors may want to consider investing across different securities based on the underlying market capitalization of the asset or company. Consider the vast operational differences between Apple and Newell Brands Inc. In July 2023, both companies were in the S&P 500, with Apple representing 7.6% of the index and Newell Brands representing 0.0065%.

Each company will have a considerably different approach to raising capital, introducing new products to the market, brand recognition, and growth potential. Lower cap stocks have more room to grow, though higher cap stocks tend to be safer investments.

Risk Profiles

Across almost every asset class, investors can choose the underlying risk profile of the security. For example, consider fixed-income securities. An investor can choose to buy bonds from the top-rated governments in the world or from nearly defunct private companies raising emergency funds. There are considerable differences between several 10-year bonds based on the issuer, their credit rating, future operational outlook, and existing level of debt.

The same can be said for other types of investments. Real estate development projects with more risk may carry greater upside than established operating properties. Meanwhile, cryptocurrencies with longer histories and greater adoption, such as Bitcoin, carry less risk relative to smaller market cap coins or tokens.

Maturity Lengths

Specific to fixed-income securities such as bonds, different term lengths impact risk profiles. Generally, the longer the maturity, the higher the risk of fluctuations in the bond's prices due to changes in interest rates. Short-term bonds tend to offer lower interest rates; however, they also tend to be less impacted by uncertainty in future yield curves. Investors more comfortable with risk may consider adding longer term bonds that tend to pay higher degrees of interest.

Maturity length is also prevalent in other asset classes. Consider the difference between short-term lease agreements for residential properties (i.e., up to one year) and long-term lease agreements for commercial properties (i.e., sometimes five years or greater). Though there is more security in collecting rent revenue by locking into a long-term agreement, investors sacrifice flexibility to increase prices or change tenants.

Physical Locations (Foreign vs. Domestic)

Investors can reap further diversification benefits by investing in foreign securities. For example, forces depressing the U.S. economy may not affect Japan's economy in the same way. Therefore, holding Japanese stocks gives an investor a small cushion of protection against losses during an American economic downturn.

Alternatively, there may be a greater potential upside (with associated higher degrees of risk) when diversifying across developed and emerging countries. Consider Pakistan's current classification as a frontier market participant (recently downgraded from an emerging market participant). Investors willing to take on higher levels of risk may want to consider the higher growth potential of smaller yet-to-be-fully established markets such as Pakistan.

Tangibility

Financial instruments such as stocks and bonds are intangible investments; they cannot be physically touched or felt. On the other hand, tangible investments such as land, real estate, farmland, precious metals, or commodities can be touched and have real-world applications. These real assets have different investment profiles as they can be consumed, rented, developed, or treated differently than intangible or digital assets.

There are also unique risks specific to tangible assets. Real property can be vandalized, physically stolen, damaged by natural conditions, or become obsolete. Real assets may also require storage, insurance, or security costs to carry. Though the revenue stream differs from financial instruments, the input costs to protect tangible assets are also different.

Strategic Alliances:

A strategic alliance is an arrangement between two companies to undertake a mutually beneficial project while each retains its independence. A company may enter into a strategic alliance to expand into a new market, enlarge its product line, or develop an edge over competitors. In some cases, strategic alliances can involve more than two companies.

- A strategic alliance is an arrangement between two (or more) companies that have decided to share resources to undertake a specific, mutually beneficial project.
- Strategic alliances can diversify revenue streams, grant access to potentially difficult-to-obtain resources, and may improve a company's public image.
- Strategic alliances may also cause companies to expend resources resolving conflict, fail to yield the hoped-for results, or negatively impact a company's public image.

Examples of Strategic Alliances

Strategic alliances can come in many sizes and forms. Some generic examples:

- An oil and natural gas company might form a strategic alliance with a research laboratory to develop more commercially viable recovery processes.
- A clothing retailer might form a strategic alliance with a single manufacturer to ensure consistent quality and sizing.
- A website could form a strategic alliance with an analytics company to improve its marketing efforts.

Types of Strategic Alliances

There are three primary forms of strategic alliances:

Joint Ventures

A joint venture occurs when two companies come together to create an entirely new, separate company that each of the existing companies becomes a parent to.

For example, in 2012, Microsoft and General Electric Healthcare signed a joint agreement to create a new, third company called Caradigm, with each of them owning 50%. Caradigm's mission was to develop and market an open healthcare intelligence platform. The idea behind the joint venture was that Microsoft had the technical capability of making such a platform work, while GE's healthcare IT division had the expertise on the healthcare side.

In 2016, GE Healthcare bought out Microsoft's share in the company. Then, in 2018, it sold the entirety of Caradigm to Inspirata.

Equity Strategic Alliances

An equity strategic alliance may have similar outcome goals as a joint venture. However, it is funded differently in that one company makes an equity investment into another.

For example, in 2010, Panasonic invested $30 million in the automaker Teslaby purchasing shares of Tesla common stock in a private placementThe investment was intended to build a stronger alliance between the two companies and to help expand Panasonic's footprint in the electric vehicle market. As one of the world's leading battery cell manufacturers, Panasonic's skill set blended strongly with Tesla's ambition to improve its battery packs and reduce its costs.

The relationship between the two companies continues to this day.

Non-Equity Strategic Alliances

In a non-equity strategic alliance, two entities come together without an exchange of equity. Each company simply brings its resources to the alliance for the mutual benefit of both. The relationship between Barnes & Noble and Starbucks is one highly visible example. Starbucks brews the coffee. Barnes & Noble stocks the books. Both companies do what they do best while sharing the costs of retail space to the their mutual benefit.

Pros

- May result in gaining customers, especially ones in unfamiliar markets
- May generate additional revenue and increase profitability
- May diversify a company's revenue stream
- May reduce operational risk of a company due to the addition of unique expertise and assets

- May positively influence the image the company

Cons

- May require more work in collaborating and communicating with larger teams
- May result in costly conflicts should the alliance members disagree on strategy
- May result in one side getting a better deal than the other (even if this wasn't what was planned)
- May negatively influence the image of the company

Merger and Acquisition:

Mergers and acquisitions (M&As) are the different ways companies are combined. Entire companies or their major business assets are consolidated through financial transactions between two or more companies. A company may:

- Purchase and absorb another company outright
- Merge with it to create a new company
- Acquire some or all of its major assets
- Make a tender offer for its stock
- Stage a hostile takeover

All of these ways of combining or consolidating assets are M&A activities The terms M&A also is used to describe the divisions of financial institutionsthat facilitate or manage such activities.

- Mergers and acquisitions (M&A) refers to the ways businesses, or their assets, are consolidated or combined.
- In an acquisition, one company purchases another outright.
- A merger is the combination of two firms, which subsequently form a new legal entity under the banner of one corporate name.
- Mergers and acquisitions require the valuation of a company or its assets to decide how much to pay for those assets.
- M&A can be financed through a combination of debt, cash, and stock.

Types of Mergers and Acquisitions

The following are some common transactions that fall under the M&A umbrella.

Mergers

In a merger, the boards of directorsfor two companies approve the combination and seek shareholders' approval. This type of M&A activity is designed to boost both brands, allowing each to bring their existing strengths to a new company and create a bigger piece of the industry pie for the new company that is formed.

For example, in 2024, HBC announced that it was acquiring the Neiman Marcus Group and merging it with another brand that it owned, Saks Fifth Avenue. Both NMG (which owns Neiman Marcus and Bergdorf Goodman) and Saks are luxury retailers, but their share of retail sales has declined with the rise of online shopping and the reduction of brick-and-mortar retail. The merger will consolidate the three existing brands (Saks, Neiman Marcus, and Bergdorf Goodman) into a single luxury retail brand known as Saks Global. This consolidation is intended to make it easier to compete with online retail giants.

Acquisitions

In a simple acquisition, the acquiring company obtains the majority stake in the acquired firm, which does not change its name or alter its organizational structure. In some cases, the target company may require the buyers to promise that the target business remains solvent for a period after acquisition through the use of a whitewash resolution. An acquisition often allows the acquiring company to move into a new or related industry, expanding its offerings by tapping into the acquired company's existing customer base and services.

An example of this type of transaction was Amazon's acquisition of Whole Foods in 2017. The acquisition allowed Amazon to expand into grocery delivery services (groceries make up a large portion of many people's budgets) as well as tap into the market for health-conscious customers. Whole Foods, which had been losing market share to customers who could find similar products at lower prices in other grocery chains, benefitted from Amazon's broad customer base and ease of connecting with consumers.

Consolidations

Corporate consolidation happens when two or more companies combine to increase their market share and eliminate competition. For example, Facebook consolidated its dominance in the social media industry by acquiring other social media companies that had promising business models and could have become competitive with Facebook.

An example of this is when it acquired Instagram in 2012 for $1 billion. Instagram continued to operate as a separate company under the parent Facebook company (now Meta Platforms). However, other instances of consolidation under Facebook resulted in acquired social media companies being integrated into the

Facebook platform. For example, the messaging service Beluga was acquired by Facebook, then rebranded as Facebook Messenger.

Tender Offers

In a tender offer, one company offers to purchase the outstanding stock of the other firm at a specific price rather than the market price. The acquiring company communicates the offer directly to the other company's shareholders, bypassing the management and board of directors. For example, in 2008, Johnson & Johnson made a tender offer to acquire Omrix Biopharmaceuticals for $438 million. The company agreed to the tender offer and the deal was settled by the end of December 2008.

Acquisition of Assets

In an acquisition of assets, one company directly acquires the assets of another company. The company whose assets are being acquired must obtain approval from its shareholders. The purchase of assets is typical during bankruptcy proceedings, wherein other companies bid for various assets of the bankrupt company, which is liquidated upon the final transfer of assets to the acquiring firms.

Management Acquisitions

In a management acquisition, also known as a management-led buyout (MBO) a company's executives purchase a controlling stake in another company, taking it private. These former executives often partner with a financier or former corporate officers in an effort to help fund a transaction.

This type of M&A transaction is typically financed disproportionately with debt, and the majority of shareholders must approve it. For example, in 2022, Tesla Motors CEO Elon Musk purchased Twitter, Inc. for $44 billion, taking the company private. The deal included $25.5 billion of margin loan and debt financing.

How Mergers Are Structured

Mergers can be structured in different ways, based on the relationship between the two companies involved in the deal:

- Horizontal merger: Two companies that are in direct competition and share the same product lines and markets.
- Vertical merger: A customer and company or a supplier and company, such as an ice cream maker merging with a cone supplier

- Congeneric mergers: Two businesses that serve the same consumer base in different ways, such as a TV manufacturer and a cable company
- **Market-extension merger**: Two companies that sell the same products in different markets
- **Product-extension merger**: Two companies selling different but related products in the same market
- Conglomeration: Two companies that have no common business areas

Mergers may also be distinguished by following two financing methods, each with its own ramifications for investors.

Purchase Mergers

As the name suggests, this kind of merger occurs when one company purchases another company. The purchase is made with cash or through the issue of some kind of debt instrument. The sale is taxable, which attracts the acquiring companies, who enjoy the tax benefits. Acquired assets can be written up to the actual purchase price, and the difference between the book value and the purchase price of the assets can depreciateannually, reducing taxes payable by the acquiring company.

Consolidation Mergers

With this merger, a brand new company is formed, and both companies are bought and combined under the new entity. The tax terms are the same as those of a purchase merger.

Strategic analysis and choice:

The Strategy Analysis and Choice Process is a critical component of strategic management. It involves evaluating potential strategies, selecting the best fit for the organization, and preparing to implement it. This process ensures that an organization chooses strategies that align with its goals, resources, and market conditions. Here’s a breakdown of each step involved in the process:

Step 1: Situational Analysis

Situational analysis is the foundation of strategic choice. It involves assessing internal and external factors that influence the organization’s position, capabilities, and opportunities.

- **Internal Analysis**: Evaluates the organization's strengths, weaknesses, resources, and competencies. Common tools include SWOT analysis and value chain analysis.
- **External Analysis**: Examines external opportunities and threats, industry trends, and competitive forces. Tools such as PESTEL analysis and Porter's Five Forces are often used.

Purpose*:* To gather comprehensive information on factors that can influence strategic choices.

Example*:* A retail company might analyze its strengths (brand loyalty, distribution network), weaknesses (high costs, reliance on suppliers), opportunities (e-commerce growth), and threats (new competitors).

Step 2: Identifying Strategic Alternatives:

Based on the situational analysis, the organization identifies several possible strategies. These alternatives represent different paths the organization can take to achieve its objectives.

- **Types of Strategies**:
- **Growth Strategies**: Expansion, diversification, market penetration.
- **Stability Strategies**: Maintaining the current position to focus on internal improvements.
- **Defensive Strategies**: Retrenchment, divestiture, and liquidation to protect resources and reduce costs.

Purpose*:* To create a list of feasible strategies that align with organizational goals and market conditions.

Example*:* A tech company could consider growth strategies (new product development), stability strategies (improving current offerings), or defensive strategies (exiting unprofitable markets).

Step 3: Evaluating Strategic Alternatives:

Each strategic alternative is carefully evaluated based on specific criteria. This evaluation phase helps prioritize strategies that are feasible, effective, and sustainable.

- **Criteria for Evaluation**:
- **Suitability**: Does the strategy align with the organization's mission and goals?
- **Feasibility**: Are the required resources (financial, human, technological) available?
- **Acceptability**: Will stakeholders support the strategy? What are the potential risks and rewards?

- **Sustainability**: Can the strategy provide a long-term competitive advantage?

Purpose*:* To assess each strategy's potential impact and practicality.

Example*:* A manufacturing company might assess whether expanding into new regions is feasible based on its financial capacity and supply chain network.

Step 4: Choosing the Best Strategy:

After evaluating all strategic alternatives, the organization selects the best option. This choice is based on which strategy offers the highest likelihood of success while aligning with organizational values and resources.

- **Decision-Making Models**:
- **Quantitative Models**: Tools like Cost-Benefit Analysis, Risk Assessment, and Decision Trees can provide data-driven insights.
- **Qualitative Models**: Techniques like Scenario Analysis and Judgement-Based Models allow for subjective considerations.
- **Hybrid Approach**: Combines both quantitative and qualitative data for a balanced decision.

Purpose*:* To make an informed choice that balances potential rewards with risks and aligns with organizational goals.

Example*:* A financial services firm might use a cost-benefit analysis to decide between entering a new market or focusing on digital transformation.

Step 5: Strategy Implementation Planning:

Once a strategy is chosen, planning for its implementation is essential. This step involves designing a roadmap for executing the strategy, allocating resources, and setting key performance indicators (KPIs).

- **Key Components**:
- **Resource Allocation**: Assign necessary resources (budget, personnel, technology) to the strategy.
- **Timeline**: Establish a timeline for each phase of the strategy.

- **Performance Metrics**: Define KPIs to measure success and track progress.
- **Contingency Plans**: Prepare backup plans for potential obstacles or changes in market conditions.

Purpose*:* To create a structured plan for executing the chosen strategy effectively.

Example*:* A non-profit organization implementing a fundraising strategy might set a timeline, allocate staff, and establish KPIs like donation targets.

Business Portfolio Analysis:

Business Portfolio Analysis is a strategic management tool used to measure what product or service of the company excels or fails in its portfolio. This helps a manager to appraise the market shares within the industry. This business analysis portfolio allows organisations to learn their strength and weaknesses. By doing so, they enable customers to make rightful decisions regarding resource allocations.

The purpose of Business Portfolio Analysis extends beyond mere assessment—it serves as a compass guiding organisations toward sustainable growth and profitability. Here's how:

- Higher profits

A cornerstone objective of Business Portfolio Analysis is maximising profits through strategic resource allocation. By identifying and nurturing high-performing products or services while divesting from underperformers, companies can amplify their overall profitability. This targeted approach ensures that resources are channelled into ventures with the highest potential for returns, thereby enhancing the bottom line.

- **Risk spread**

Business Portfolio Analysis empowers companies to diversify risk across a spectrum of products or services. By maintaining a well-balanced portfolio comprising offerings in different stages of the Product Lifecycle, organisations can buffer themselves against market volatility. This diversified approach minimises the adverse impacts of unforeseen fluctuations, fostering resilience and stability in the face of uncertainty.

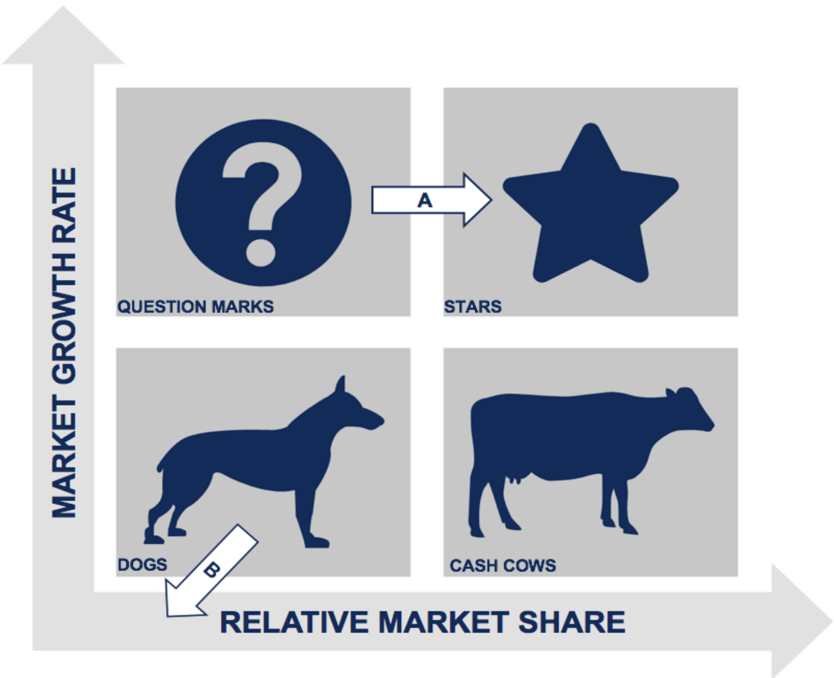
- **Targeting different market segments**

A pivotal aspect of Business Portfolio Analysis lies in its capacity to facilitate tailored market targeting. By meticulously examining the distinct needs and preferences of various customer segments, companies can craft offerings that resonate deeply with their intended audiences. Through astute segmentation and positioning strategies, organisations can seize opportunities to capture market share and fuel revenue growth, thereby solidifying their competitive standing.

Business Portfolio Analysis techniques:

BCG Matrix:

The Boston Consulting Group Matrix (BCG Matrix), also referred to as the product portfolio matrix, is a business planning tool used to evaluate the strategic position of a firm's brand portfolio. The BCG Matrix is one of the most popular portfolio analysis methods. It classifies a firm's product and/or services into a two-by-two matrix. Each quadrant is classified as low or high performance, depending on the relative market share and market growth rate.



Understanding the Boston Consulting Group (BCG) Matrix:

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

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

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

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

- **The BCG Matrix: Question Marks**

Products in the question marks quadrant are in a market that is growing quickly but where the product(s) have a low market share. Question marks are the most managerially intensive products and require extensive investment and resources to increase their market share. Investments in question marks are typically funded by cash flows from the cash cow quadrant.

In the best-case scenario, a firm would ideally want to turn question marks into stars (as indicated by A). If question marks do not succeed in becoming a market leader, they end up becoming dogs when market growth declines.

- **The BCG Matrix: Dogs**

Products in the dogs quadrant are in a market that is growing slowly and where the product(s) have a low market share. Products in the dogs quadrant are typically able to sustain themselves and provide cash flows, but the products will never reach the stars quadrant. Firms typically phase out products in the dogs quadrant (as indicated by B) unless the products are complementary to existing products or are used for a competitive purpose.

- **The BCG Matrix: Stars**

Products in the star quadrant are in a market that is growing quickly and one where the product(s) have a high market share. Products in the stars quadrant are market-leading products and require significant investment to retain their market position, boost growth, and maintain a competitive advantage.

Stars consume a significant amount of cash but also generate large cash flows. As the market matures and the products remain successful, stars will migrate to become cash cows. Stars are a company's prized possession and are top-of-mind in a firm's product portfolio.

- **The BCG Matrix: Cash Cows**

Products in the cash cows quadrant are in a market that is growing slowly and where the product(s) have a high market share. Products in the cash cows quadrant are thought of as products that are leaders in the marketplace. The products already have a significant amount of investments in them and do not require significant further investments to maintain their position.

Cash flows generated by cash cows are high and are generally used to finance stars and question marks. Products in the cash cows quadrant are "milked" and firms invest as little cash as possible while reaping the profits generated from the products.

GE 9 Cell model:

GE Nine Cell Matrix

Industry Attractiveness	Business Unit Strength		
	Strong	**Average**	**Weak**
High	*Grow*	*Grow*	*Hold*
Medium	*Grow*	*Hold*	*Harvest*
Low	*Hold*	*Harvest*	*Harvest*

GE Nine (9) Cell Matrix:

- GE nine-box matrix is a strategy tool that offers a systematic approach for the multi business enterprises to prioritize their investments among the various business units. It is a framework that evaluates business portfolio and provides further strategic implications.

- Each business is appraised in terms of two major dimensions – Market Attractiveness and Business Strength. If one of these factors is missing, then the business will not produce desired results. Neither a strong company operating in an unattractive market, nor a weak company operating in an attractive market will do very well

The vertical axis denotes:

Industry attractiveness indicates how hard or easy it will be for a company to compete in the market and earn profits. The more profitable the industry is the more attractive it becomes. When evaluating the industry attractiveness, analysts should look how an industry will change in the long run rather than in the near future, because the investments needed for the product usually require long lasting commitment.

- Long run growth rate
- Industry size
- Industry profitability: entry barriers, exit barriers, supplier power, buyer power, threat of substitutes and available complements (use Porter's Five Forces analysis to determine this)
- Industry structure (use Structure-Conduct-Performance framework to determine this)
- Product life cycle changes
- Changes in demand
- Trend of prices
- Macro environment factors (use PEST or PESTEL for this)
- Seasonality
- Availability of labor
- Market segmentation

Horizontal axis represents:

Along the X axis, the matrix measures how strong, in terms of competition, a particular business unit is against its rivals. In other words, managers try to determine whether a business unit has a sustainable competitive advantage (or at least temporary competitive advantage) or not.

- Total market share
- Market share growth compared to rivals
- Brand strength (use brand value for this)
- Profitability of the company
- Customer loyalty
- VRIO resources or capabilities (use VRIO framework to determine this)
- Your business unit strength in meeting industry's critical success factors (use Competitive Profile Matrix to determine this)
- Strength of a value chain (use Value Chain Analysis and Benchmarking to determine this)
- Level of product differentiation
- Production flexibility

Green Zone:

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

Yellow Zone:

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

Red zone:

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

Advantages:

- Helps to prioritize the limited resources in order to achieve the best returns.
- The performance of products or business units becomes evident.
- It's more sophisticated business portfolio framework than the BCG matrix.

- Determines the strategic steps the company needs to adopt to improve the performance of its business portfolio.

MC KISNEY'S 7S FRAMEWORK:

- McKinsey's 7-S Framework was first introduced in the 1970s by business consultants Robert Waterman and Tom Peters in the book in Search of Excellence, who examined the role of coordination in organizational effectiveness. Previous models to this point had focused on organizational structure as the focal point when considering enterprise effectiveness.
- The framework mapped the intersectionality of seven factors that influence an organization's ability to adapt and change. It highlighted the interdependence of these factors and that without working on these seven factors in a coordinate way, no single factor would experience improvements.
- Today, McKinsey's 7-S Model is a widely used change management model. Organizations use it to assess potential change and monitor its impact on internal operations.
- In this article, we explore in-depth the critical elements of McKinsey's 7-S Model, its implementation, and how enterprise organizations have leveraged this model for effective.
- The McKinsey 7-S Model is a change framework based on a company's organizational design and coordination. It aims to depict how to manage organizational change by strategizing around the interactions of seven key elements: Structure, Strategy, System, Shared Values, Skill, Style, *and* Staff.
- The 7-S model highlights that there exists a domino effect when any one element is transformed to restore effective balance. The central placement of shared values emphasizes that a substantial change culture impacts all the other elements to drive change.

Structure of the McKinsey 7S Model

Structure, Strategy, and Systems collectively account for the "Hard Ss" elements, whereas the remaining are considered "Soft Ss."

1. Structure

Structure is the way in which a company is organized – the chain of command and accountability relationships that form its organizational chart.

2. Strategy

Strategy refers to a well-curated business plan that allows the company to formulate a plan of action to achieve a sustainable competitive advantage, reinforced by the company's mission and values.

3. Systems

Systems entail the business and technical infrastructure of the company that establishes workflows and the chain of decision-making.

4. Skills

Skills form the capabilities and competencies of a company that enables its employees to achieve its objectives.

5. Style

The attitude of senior employees in a company establishes a code of conduct through their ways of interactions and symbolic decision-making, which forms the management style of its leaders.

6. Staff

Staff involves talent management and all human resources related to company decisions, such as training, recruiting, and rewards systems

7. Shared Values

The mission, objectives, and values form the foundation of every organization and play an important role in aligning all key elements to maintain an effective organizational design.

Application of the McKinsey 7S Model

The subjectivity surrounding the concept of alignment concerning the seven key elements contributes to why this model seems to have a complicated application. However, it is suggested to follow a top-down approach – ranging from broad strategy and shared values to style and staff.

Step 1: Identify the areas that are not effectively aligned

Is there consistency in the values, strategy, structure, and systems? Look for gaps and inconsistencies in the relationship of elements. What needs to change?

Step 2: Determine the optimal organization design

It is important to consolidate the opinions of top management and create a generic optimal organizational design that will allow the company to set realistic goals and achievable objectives. The step requires a tremendous amount of research and analysis since there are no "organizational industry templates" to follow.

Step 3: Decide where and what changes should be made

Once the outliers are identified, the plan of action can be created, which will involve making concrete changes to the chain of hierarchy, the flow of communication, and reporting relationships. It will allow the company to achieve an efficient organizational design.

Step 4: Make the necessary changes

Implementation of the decision strategy is a make-or-break situation for the company in realistically achieving what it set out to do. Several hurdles in the process of implementation arise, which are best dealt with in a well-thought-out implementation plan.

Advantages of the Model:

- It enables different parts of a company to act in a coherent and "synced" manner.
- It allows for the effective tracking of the impact of the changes in key elements.
- It is considered a longstanding theory, with numerous organizations adopting the model over time.

Disadvantages of the Model:

- It is considered a long-term model.
- With the changing nature of businesses, it remains to be seen how the model will adapt.
- It seems to rely on internal factors and processes and may be disadvantageous in situations where external circumstances influence an organization.

Balance Scorecard:

The balanced scorecard is a tool designed to help track and measure non-financial variables. Developed in 1992by HBS Professor Robert Kaplan and David Norton, it captures value creation's four perspectives.

"The balanced scorecard combines the traditional financial perspective with additional perspectives that focus on customers, internal business processes, and learning and development," Simons says in Strategy Execution. "These additional perspectives help businesses measure all the activities essential to creating value."

The four perspectives include:

- Financial perspective: Do your plans and processes lead to desired levels of economic value creation? Metrics include sales revenue, operating expenses, net income, and investment in assets.
- Customer perspective: Does your target audience perceive your product, services, and brand in the desired way? Metrics include quality, delivery speed, and customer service experience.
- Internal business process perspective: Do your organizational processes create value for customers? Metrics to track are related to operations and customer management, innovation, regulatory, and social processes.
- Learning and growth perspective: Does your organization support and utilize human capital and infrastructure resources to meet goals? Areas to consider are human capital (people, talent, and knowledge), information capital (databases, networks, and technology), and organizational capital (leadership capabilities and cultural alignment to company goals), each with its own set of metrics.

You should use the balanced scorecard in tandem with a strategy map, a visual way to illustrate the cause-and-effect relationships underpinning your business strategy.

How to create a balance scorecard?

1. Craft a Strategy Map

Before creating your balanced scorecard, you must craft a strategy map to base it on. Start by listing the scorecard's four perspectives in this order:

- Financial perspective
- Customer perspective

- Process perspective
- Learning and growth perspective

"Learning and growth" will be the foundation, so position it at the bottom of your strategy map.

Next, list your goals in each category using action verbs. What do you intend on doing? For example, in the "learning and growth" category, you could write "train staff on a new content management system." Next to "customer perspective," you could write "increase customer satisfaction."

These goals are what Simons calls "critical performance variables." For your strategy to succeed, you must achieve them.

"This exercise is asking you to imagine what variables are so serious that—if you failed to deliver on them—you could imagine your entire strategy collapsing," Simons says in Strategy Execution. "These are the critical performance variables that you must monitor if you want your business to succeed."

Finally, draw arrows pointing upward between each perspective category, so "learning and growth" points to "process," which points to "customer," which points to "financial."

"The arrows are the most important part of a strategy map," Simons says in the course. "They reveal cause-and-effect relationships so that everyone in a business can understand the theory of value creation. The outputs from one stage are the inputs to the next."

2. Select Measures

Once you've created your strategy map, start your balanced scorecard by selecting how you'll measure progress for each objective.

Assess measures using three questions:

1. Does the measure link to my strategy map?
2. Is it objective, complete, and responsive?
3. Does it link to economic value?

For example, if your objective is to "increase customer satisfaction," measures could include:

- Number of referrals
- Number and speed of resolved support tickets
- Number of testimonials
- Net promoter score (NPS)

Link these measures to the goal in the strategy map to objectively measure, change, and tie them to your organization's economic value.

Selecting the right measures is critical because, as the balanced scorecard's creators note in the Harvard Business Review, "What you measure is what you get."

"You can have the best strategy in the world," Simons says in Strategy Execution "You can communicate that strategy to employees in different ways—town hall meetings, videos, company newsletters. But at the end of the day, what everyone pays attention to is what they're measured on. So, you need to be sure that measures throughout the business reflect your strategy, so that every employee will devote their efforts to implementing that strategy."

However, you decide to measure objectives is where your team will focus its efforts, so choose wisely.

3. Set Targets

The final step to creating your balanced scorecard is setting targets. What metrics must you hit to achieve your goals using your selected measurements? Consider the metric you want to reach and within what timeframe.

In the case of increasing customer satisfaction, targets for each sample measurement could be:

- Number of referrals: Garner 500 referrals next year
- Number and speed of resolved support tickets: Resolve 75 percent of support tickets within 48 hours
- Number of testimonials: Gather 100 testimonials next year
- Net promoter score (NPS): Target an average score of eight or above by 2026

Setting targets helps quantify what successful strategy executionmeans for each measure.

In Strategy Execution Simons notes that, when looking at your balanced scorecard, the further you move to the right, the more you can objectively measure and reward performance. The further you move left, the more performance is subjective.

Set challenging but achievable targets. Remember that not accomplishing your "learning and growth" goals can impact the rest of your strategy map.

Designing Strategic Control System:

Designing strategic control systems involves establishing processes to monitor and evaluate a company's performance against its strategic goals, identifying potential problems or opportunities, and implementing corrective actions.

Here's a more detailed breakdown of the process:

1. Understanding the Purpose of Strategic Control:

- **Monitoring Performance:**

Strategic control systems are designed to track how well a company is performing against its strategic objectives.

- **Identifying Deviations:**

They help identify any deviations from the planned path and the reasons behind them.

- **Taking Corrective Actions:**

The system enables managers to take timely and appropriate corrective actions to get back on track.

- **Ensuring Strategy Effectiveness:**

Strategic control is essential for assessing the effectiveness of the current strategy and making necessary adjustments.

2. Key Components of a Strategic Control System:

- **Strategic Planning:**

A clear and well-defined strategic plan is the foundation of any effective control system.

- **Performance Measurement:**

Establishing key performance indicators (KPIs) and metrics to track progress towards strategic goals is crucial.

- **Data Collection and Analysis:**

Regularly collecting and analyzing data related to performance is essential for identifying trends and patterns.

- **Feedback Loops:**

Creating mechanisms for providing feedback to relevant stakeholders and using that feedback to improve performance is important.

- **Corrective Action:**

Developing procedures for identifying and addressing deviations from the plan.

3. Types of Strategic Control:

- **Premise Control:**

This type of control focuses on ensuring that the underlying assumptions and premises on which the strategy is based are still valid.

- **Implementation Control:**

This type of control monitors the implementation of the strategy, ensuring that activities are progressing as planned.

- **Special Alert Control:**

This type of control responds to unexpected events or crises that could disrupt the strategic plan.

- **Strategic Evaluation:**

This involves a comprehensive assessment of the strategy's effectiveness and making necessary adjustments.

4. Tools and Techniques for Strategic Control:

- **Balanced Scorecard (BSC):** A framework for translating a company's strategy into operational goals and metrics.
- **Performance Measurement Systems:** Using KPIs and metrics to track progress and identify areas for improvement.
- **Data Analytics:** Using data to identify trends, patterns, and areas for improvement.
- **Regular Reviews and Assessments:** Conducting periodic reviews of the strategy and its implementation.

- **Communication and Collaboration:** Ensuring that all stakeholders are aware of the strategy and their roles in implementing it.

Matching Structure and Control to Strategy:

Matching Structure and Strategy is a fundamental concept in strategic management. It emphasizes the importance of aligning an organization's structure with its strategic goals to improve performance, enhance flexibility, and facilitate smooth execution. When structure and strategy are aligned, an organization can operate more efficiently and effectively achieve its objectives.

1. Understanding Organizational Structure:

Organizational Structure defines the way roles, responsibilities, and authority are organized and how information flows within the company. Structure provides a framework that helps the organization coordinate activities and ensures that all parts work together toward common goals.

- **Types of Structures**:
- **Functional Structure**: Organizes teams based on functions, such as marketing, finance, and operations. Suitable for organizations focusing on efficiency and specialization.
- **Divisional Structure**: Divides the organization by product, market, or geographic area, allowing flexibility and focus in each division.
- **Matrix Structure**: Combines functional and divisional structures, with dual reporting lines. Useful for project-based environments but can create complexity.
- **Flat Structure**: Has few hierarchical levels, encouraging open communication and agility, suitable for startups or innovative companies.
- **Example**: A company focused on product innovation might adopt a flat or matrix structure to foster collaboration and creativity.

2. Understanding Strategy:

Strategy is the plan or set of actions an organization uses to achieve its goals and compete effectively. Strategy can vary widely depending on the organization's objectives, market conditions, and resources.

Types of Strategies:

- **Growth Strategy**: Focuses on expansion through new markets, products, or acquisitions.
- **Stability Strategy**: Aims to maintain the current position, focusing on internal improvements.
- **Defensive Strategy**: Involves reducing operations or divesting non-core assets to preserve resources.
- **Example**: A technology company adopting a growth strategy may prioritize entering new markets and developing new products.

3. Importance of Matching Structure and Strategy:

Aligning structure with strategy ensures that the organization's internal setup supports its strategic goals, enhancing efficiency and effectiveness. A mismatch between structure and strategy can create obstacles, slow down decision-making, and reduce competitiveness.

- **Enhanced Efficiency**: A structure that complements the strategy enables efficient resource allocation, clear communication, and streamlined decision-making.
- **Improved Adaptability**: The right structure supports the organization's ability to respond quickly to changes in the market or competitive environment.
- **Increased Employee Engagement**: When structure and strategy align, employees understand their roles in achieving strategic goals, increasing engagement and morale.

Matching Structure with Different Strategies:

1. Growth Strategy:

- **Recommended Structure**: Divisional or matrix structure, as these structures offer flexibility, focus on specific markets or products, and support collaboration across functions.
- **Purpose**: Enables the organization to quickly scale operations, enter new markets, and manage multiple product lines.
- **Example**: A retail company expanding internationally may adopt a divisional structure with separate divisions for each geographic region.

2. Stability Strategy:

- **Recommended Structure**: Functional structure, as it emphasizes efficiency and specialization within core functions.
- **Purpose**: Maintains stability, with a focus on optimizing current processes and improving productivity.
- **Example**: A manufacturing firm focused on maximizing efficiency in its existing operations might adopt a functional structure to streamline workflows.

3. Defensive Strategy:

- **Recommended Structure**: Flat or simple structure, as these allow for quick decision-making and reduce operational costs.
- **Purpose**: Helps reduce costs and improve focus on essential operations by eliminating unnecessary layers of management.
- **Example**: A company undergoing restructuring may adopt a flatter structure to reduce overhead and increase agility.

Key Benefits of Matching Structure and Strategy:

- **Clearer Communication**: An aligned structure clarifies reporting relationships, enabling efficient information flow across the organization.
- **Strategic Focus**: Employees and teams are organized in a way that supports the strategic direction, increasing overall focus on strategic goals.
- **Enhanced Agility**: When structure and strategy align, organizations can respond more effectively to changes in market conditions or new strategic priorities.

Implementing Strategic Change:

Implementing strategic change involves a structured process of translating planned changes into action, encompassing planning, communication, resource allocation, and monitoring progress to ensure successful organizational transitions and achieve desired outcomes.

Here's a more detailed breakdown of the process:

1. Planning and Preparation:

- **Identify the Need for Change:**

Determine the reasons for the change and its potential impact on the organization.

- **Define Goals and Objectives:**

Clearly articulate what the change aims to achieve and how success will be measured.

- **Assess the Current State:**

Evaluate the organization's strengths, weaknesses, and current capabilities to understand the starting point.

- **Develop a Change Management Plan:**

Create a roadmap that outlines the steps, timelines, and resources required for implementing the change.

- **Identify Key Stakeholders:**

Determine who will be affected by the change and how they should be engaged.

- **Build a Coalition of Support:**

Gain buy-in from leaders and key stakeholders to ensure their support and commitment.

2. Communication and Engagement:

- **Communicate the Change:**

Clearly and transparently communicate the reasons for the change, the goals, and the expected outcomes to all stakeholders.

- **Address Concerns and Resistance:**

Anticipate potential resistance and proactively address concerns through open communication and engagement.

- **Involve Stakeholders:**

Encourage participation and input from stakeholders to build ownership and commitment.

3. Implementation and Execution:

- **Allocate Resources:**

Ensure that the necessary resources (financial, human, and technological) are available to support the change.

- **Execute the Plan:**

Follow the change management plan and implement the necessary changes as planned.

- **Provide Training and Support:**

Equip employees with the necessary skills and knowledge to adapt to the new processes and technologies.

- **Monitor Progress:**

Track key performance indicators (KPIs) to assess the progress of the change and identify any potential issues.

4. Evaluation and Adjustment:

- **Evaluate the Change:** Assess the effectiveness of the change and identify areas for improvement.
- **Make Adjustments:** Based on the evaluation, make necessary adjustments to the plan and implementation process.
- **Reinforce the Change:** Celebrate successes and reinforce the new behaviors and processes to ensure their sustainability.

Politics, powers and conflict:

In strategic management, understanding politics, power, and conflict is crucial because these dynamics can significantly impact organizational decision-making, resource allocation, and ultimately, strategic direction. Recognizing these forces allows for more effective navigation of internal dynamics and the achievement of organizational goals.

Here's a deeper look at these concepts:

1. Power:

- **Definition:**

Power in an organizational context refers to the ability to influence others and achieve desired outcomes, even when faced with resistance.

- **Sources of Power:**
- **Formal Authority:** Power derived from a person's position or role in the organizational hierarchy.
- **Expert Power:** Influence stemming from specialized knowledge or skills.
- **Reward Power:** The ability to offer rewards or incentives.
- **Coercive Power:** The ability to punish or impose sanctions.
- **Referent Power:** Influence based on charisma, personal appeal, or identification with the individual.
- **Information Power:** Control over access to information.
- **Importance:**

Understanding the sources and dynamics of power is essential for effective leadership and strategic decision-making.

2. Politics:

- **Definition:**

Organizational politics refers to the use of power to influence decisions and outcomes, often within a context of competing interests and agendas.

- **Manifestations:**
- **Coalition Building:** Forming alliances to gain influence.
- **Resource Allocation:** Influencing how resources are distributed.
- **Agenda Setting:** Shaping the issues that are discussed and decided upon.
- **Influence Tactics:** Using various strategies to sway opinions and actions.
- **Impact:**

Politics can be a source of both constructive and destructive behaviour in organizations. While it can facilitate collaboration and innovation, it can also lead to infighting, reduced productivity, and unethical behaviour.

3. Conflict:

- **Definition:**

Conflict arises when individuals or groups have incompatible goals, values, or perceptions, leading to disagreement or opposition.

- **Types of Conflict:**
- **Task Conflict:** Disagreements about how to achieve goals or complete tasks.
- **Relationship Conflict:** Personal clashes or disagreements that can hinder collaboration.
- **Value Conflict:** Disagreements about fundamental beliefs or principles.
- **Importance:**

Conflict can be a catalyst for innovation and growth, but it can also be detrimental if not managed effectively.

- **Conflict Resolution:**
- **Compromise:** Finding mutually acceptable solutions.

- **Collaboration:** Working together to achieve shared goals.
- **Mediation:** Using a neutral third party to facilitate resolution.
- **Accommodation:** One party giving in to the other.
- **Avoidance:** Ignoring or postponing the conflict.

4. Strategic Management Implications:

- **Strategic Direction:**

Political power struggles can influence the direction an organization takes, potentially leading to suboptimal strategies.

- **Resource Allocation:**

Political maneuvering can impact how resources are allocated, potentially diverting them from critical areas.

- **Decision-Making:**

Understanding the political dynamics within an organization is crucial for making effective decisions and gaining buy-in from stakeholders.

- **Change Management:**

Political resistance can hinder organizational change efforts, requiring managers to navigate power dynamics and address conflict constructively.

- **Organizational Culture:**

The way power and politics are handled within an organization can shape its culture and values.

Techniques of Strategy evaluation and control:

Strategic evaluation and control is the process of determining the effectiveness of a given strategy in achieving the organizational objectives and taking corrective actions whenever required. Control can be exercised through formulation of contingency strategies and a crisis management team.

There can be the following types of control:

• Operational control: It is aimed at allocation and use of organization resources through evaluation of performance of organizational units, divisions, SBU;'s to assess their contribution in achieving organizational objectives.

• Strategic control: It takes into account the changing assumptions that determine a strategy, continually evaluate the strategy as it is being implemented and take the necessary steps to adjust the strategy to the new requirements

The four basic type of strategic control are:

• Premise control: It identifies the key assumption and keeps track of any change in them to assess its impact on strategy and implementation. The goal is to find if the assumptions are still valid or not. It is generally handled by the corporate planning staff considering the environmental and organizational factors.

• Implementation control: It includes evaluating plans, programs, projects to see if they guide the organization to achieve predetermined organizational objectives or not. It consists of identification and monitoring of strategic thrusts

. • Strategic surveillance: It aims at generalized control. It is designed to monitor a broad range of events inside and outside the organization that are likely to threaten the course of the firm. Organizational learning and knowledge management system capture the information for strategic surveillance.

• Special alert control: It is a rapid response or immediate reassessment of strategy in the light of sudden and unexpected events. It can be contingency strategies and a crisis management team.

STRATEGIC EVALUATION PROCESS:

STEP 1. Setting standards of performance: It must focus on question like:

• What standards should be set? • How should the standards be set? • In what terms should these standards be expressed? PROCESS Taking corrective actions Setting standards of performance Analyzing Variances Measurement of performance The firm must identify the areas of operational efficiency in terms of people, process, productivity and pace. Standards set must be related to key management tasks. The special requirement for performance of these tasks must be studied. It can be expresses in terms of performance indicators. The criteria for setting standards may be qualitative or quantitative. Therefore, standards can be set keeping in mind past achievement compare performance with industry average or major competitors. Factors such as capabilities of a firm core competencies risk bearing ability strategic clarity and flexibility and workability must also be considered.

STEP 2. Measurement of performance: Standards of performance act as a benchmark in evaluating the actual performance. Operationally it is done through accounting, reporting and communication system. The key areas which must be kept in mind are difficulty in measurement, timing of measurement (critical points) and periodicity in measurement (task schedule).

STEP 3. Analyzing variances: The two main tasks are noting deviations and finding the cause of deviations. • When actual performance is equal to budgeted performance tolerance limit must be set. • When actual performance is greater than budgeted performance one must check the validity of standard and efficiency of management. • When actual performance is less than budgeted performance we must pinpoint the areas where performance is low and take corrective action. The cause of deviations may be: • External or internal • Random or expected • Temporary or permanent The two main questions to focus upon are: • Are the strategies still valid? • Does the organization have the capacity to responds to the changes needed?

STEP 4. Taking corrective actions: It consists of the following: • Checking of performance: It includes in depth analysis and diagnosis of the factors that might b responsible for bad performance. • Checking of standards: It results in lowering or elevation of standards according to the conditions. • Reformulate strategies, plans, objectives: Giving a fresh start to the strategic management process.

IMPORTANCE OF STRATRGIC EVALUATION AND CONTROL:

• There is a need for feedback, appraisal and reward
• To check on the validity of strategic choice
• Congruence between decisions and intended strategy
• Creating inputs for new strategic planning

Corporate Social Responsibilities:

Corporate social responsibility (CSR) refers to strategies that companies put into action as part of corporate governance that are designed to ensure the company's operations are ethical and beneficial for society.

Categories of CSR:

Although corporate social responsibility is a very broad concept that is understood and implemented differently by each firm, the underlying idea of CSR is to operate in an economically, socially, and environmentally sustainable manner.

Generally, corporate social responsibility initiatives are categorized as follows:

1. Environmental responsibility

Environmental responsibility initiatives aim to reduce pollution and greenhouse gas emissions and the sustainable use of natural resources.

2. Human rights responsibility

Human rights responsibility initiatives involve providing fair labour practices (e.g., equal pay for equal work) and fair trade practices, and disavowing child labour.

3. Philanthropic responsibility

Philanthropic responsibility can include things such as funding educational programs, supporting health initiatives, donating to causes, and supporting community beautification projects.

4. Economic responsibility

Economic responsibility initiatives involve improving the firm's business operation while participating in sustainable practices – for example, using a new manufacturing process to minimize wastage.

Business Benefits of CSR

In a way, corporate social responsibility can be seen as a public relations effort. However, it goes beyond that, as corporate social responsibility can also boost a firm's competitiveness. The business benefits of corporate social responsibility include the following:

1. Stronger brand image, recognition, and reputation

CSR adds value to firms by establishing and maintaining a good corporate reputation and/or brand equity.

2. Increased customer loyalty and sales

Customers of a firm that practices CSR feel that they are helping the firm support good causes.

3. Operational cost savings

Investing in operational efficiencies results in operational cost savings as well as reduced environmental impact.

4. Retaining key and talented employees

Employees often stay longer and are more committed to their firm knowing that they are working for a business that practices CSR.

5. Easier access to funding

Many investors are more willing to support a business that practices CSR.

6. Reduced regulatory burden

Strong relationships with regulatory bodies can help to reduce a firm's regulatory burden.

Example of CSR in Canada

In Canada, mining companies often engage with Aboriginal communities and groups. Converting land sites into mines can cause a significant environmental impact on the Aboriginal communities living near the sites. Several Canadian mining companies engage in corporate social responsibility with local communities to ensure that the adverse effects are minimized.

For example:

- Cameco Corporation oversees education programs directed toward northern and Aboriginal peoples through their northern Saskatchewan five-pillar strategy.
- Goldcorp Inc. strives to make a positive impact on its communities by supporting education and health initiatives and sponsorship of special events.
- Soft rock Minerals Ltd. contributes money for festivals, schools, and projects.