

BUSINESS POLICY AND STRATEGIC MANAGEMENT

COURSE CODE: M21CM08DC

Postgraduate Programme
Discipline Core Course
Master of Commerce

SELF LEARNING MATERIAL



SREENARAYANAGURU
OPEN UNIVERSITY

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The State University for Education, Training and Research in Blended Format, Kerala

SREENARAYANAGURU OPEN UNIVERSITY

Vision

To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Business Policy and Strategic Management

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Semester - II

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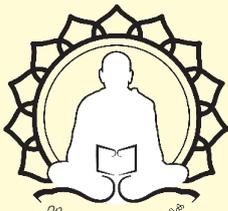


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MESSAGE FROM VICE CHANCELLOR

Dear learner,

I extend my heartfelt greetings and profound enthusiasm as I warmly welcome you to Sreenarayanaguru Open University. Established in September 2020 as a state-led endeavour to promote higher education through open and distance learning modes, our institution was shaped by the guiding principle that access and quality are the cornerstones of equity. We have firmly resolved to uphold the highest standards of education, setting the benchmark and charting the course.

The courses offered by the Sreenarayanaguru Open University aim to strike a quality balance, ensuring students are equipped for both personal growth and professional excellence. The University embraces the widely acclaimed “blended format,” a practical framework that harmoniously integrates Self-Learning Materials, Classroom Counseling, and Virtual modes, fostering a dynamic and enriching experience for both learners and instructors.

The university aims to offer you an engaging and thought-provoking educational journey. This learning material titled Business Policies and Strategic Management offered for MCom programme builds on the knowledge gained in undergraduate studies. It takes the basic understanding of business concepts and expands on them. The course combines theory and real-world practices to give learners a complete picture. We use case studies and examples to help explain complex ideas. Throughout the Blocks, learners will develop their analytical and decision-making skills, which are crucial for managing businesses effectively. The Self-Learning Material has been meticulously crafted, incorporating relevant examples to facilitate better comprehension.

Rest assured, the university’s student support services will be at your disposal throughout your academic journey, readily available to address any concerns or grievances you may encounter. We encourage you to reach out to us freely regarding any matter about your academic programme. It is our sincere wish that you achieve the utmost success.



Warm regards.
Dr. Jagathy Raj V. P.

01-07-2024

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01 BLOCK

Environmental Analysis

Block Content

- Unit - 1 Business Policy
- Unit - 2 Strategic Management Process
- Unit - 3 A Model of Strategy and Elements
- Unit - 4 Demographic Elements
- Unit - 5 Industry Analysis

Unit 1

Business Policy

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ get an awareness on the evolution of business policy
- ◆ explain the importance of Business Policy
- ◆ identify essentials of good Business Policy

Background

Business policy is the set of norms, principles and practices that guide an organisation's decision-making processes. It provides as a framework for aligning business activities with the company's overall aims and objectives. Business policy formulation entails examining internal and external issues, considering industry trends and defining the organisation's values. Business strategy has its origins in the early twentieth century, when industrialization and the emergence of major organisations necessitated more formalised approaches to management. Scholars had a considerable impact on the development of early concepts about organisational strategy and policy. As business environments grew increasingly complicated, the value of strategic thinking and long-term planning became clear. Scholars such as Peter Drucker emphasised the importance of management by objectives and the need for organisations to identify clear policies to govern their operations in the mid-twentieth century. With the introduction of strategic management in the latter half of the twentieth century, the profession evolved further, focusing on acquiring a competitive advantage and reacting to dynamic business contexts. Business policy is now an important part of organisational management, involving strategic planning, decision making procedures and the integration of diverse functional divisions within a corporation. It continues to adapt in reaction to technology advances, globalisation and changes in consumer behaviour, influencing how firms function in an ever changing landscape.

Keywords

Business Policies, Strategy, Strategic Management

Discussion

1.1.1 Evolution of the Concept of Business Policy

Life is unpredictable. When something unexpected does occur in your life, good or bad, it is understandable if it throws you off your game. If it is favourable, you can enjoy the event brought to you. If not, you can find out ways to overcome the situation. Similar is the case of organisations too. There can be ups and downs. To survive and prosper, all organisations must constantly develop policies and strategies to subdue the changing environment. The word 'Policy' is derived from the Greek word 'Politeia,' meaning policy or government. The origins of business policy can be traced back to 1911 when the Harvard Business School introduced a course in management aimed at providing general management capability. This course was based on case studies which had been in use at the school for instruction purposes since 1908. The concept "Business Policy" refers to a statement of procedure or principle by which a company intends to realize its objectives. It ensures a proper direction towards objectives of a business in the light of informal factors and organisational functions.

◆ Principle realise business objectives

1.1.2 Meaning of Business Policy

Business policies are the guidelines developed by an organisation to govern its actions. They define the limits within which decisions must be made. Business policy also deals with the acquisition of resources with which organisational goals can be achieved. Business Policy defines the scope or spheres within which decisions can be taken by the subordinates in an organisation. Business policy also deals with acquisition of resources with which organisational goals can be achieved. Business policy is the study of the roles and responsibilities of top level management, the significant issues affecting organisational success and the decisions affecting the organisation in the long run.

◆ Guidelines for actions

1.1.3 Definition of Business Policy

According to R. E. Thomas, "Business policy basically deals with decisions regarding the future of ongoing enterpris-



◆ Decision on future

es. Such policy decisions are taken at senior level after carefully evaluating the organisational strength and weaknesses in relation to its environment.”

1.1.4 Features of Business Policy

Policy plays an important role in the administration of business. The policies are framed by the top management and implemented by the bottom level. An effective business policy must have following features:

1. The policy framed should be definite. The implementation of various aspects become difficult when policies framed are uncertain.
2. When policies are framed, misunderstandings should be avoided
3. The policies framed should be uniform so that they can be followed by subordinates.
4. A policy should be simple and easily understood by all in the organisation.
5. Policy should be flexible in operation / application. Policies should be wide in scope to ensure that the line managers use them in repetitive / routine scenarios.

1.1.5 Importance of Business Policy

Business policy basically deals with decisions regarding the future of an ongoing enterprise. Such policy decisions are taken at the top level after carefully evaluating the organisational strengths and weaknesses in terms of product price, quality, leadership position, resources *etc.*, in relation to its environment. The importance can be brought under the following heads:

- a. **Control** - Policy facilitates effective control on the working of the organisation. It indirectly controls the managers at different levels without directly interfering in the normal operations of the business.
- b. **Effective Communication** - Policies are well drafted statements. Hence there is no chance of miscommunication. Clearly laid down policies try to eliminate personal hunch and bias.
- c. **Clarity** - Policies clarify the viewpoint of the management for the purpose of running activities.
- d. **Motivation** - Policy enables the line managers to take the decision on their own within the confined borders of the policy. This raises their confidence and motivates them.
- e. **Policy Review** - Regular review of policy is a must to see to

it that the existing policies are relevant in the given situation. If required, the policy may be modified or altered depending on the business environment to anticipate future conditions and situations and help to resolve them.

- f. **Economical and Efficient** - Policy enables the management to carry out its operations effectively and efficiently.
- g. **Coordination of Efforts** - Policies ensure coordination of efforts and activities at different levels in the organisation. Activities and duties are assigned in such a way that all activities in the organisation are integrated effectively.
- h. **High Morale** - A well-crafted policy can raise the overall morale of an enterprise. Policy enables the managers to understand the intentions of the management.

1.1.6 Types of Business Policies

Business policies are classified on several bases. They may be classified into several categories, which are discussed below:

According to the Nature of Origin

a. Originated Policy

These policies are formulated by the top management of the organisation. The purpose of this policy is to serve as guidelines to the subordinates and their working. The policy acts as a guide for the managers at the lower levels. For example, a Marketing head may formulate policies and handover to the junior executives for implementation. The policy formulated by the marketing head is called as Originated Policy.

◆ Guidelines to the subordinates

b. Imposed Policy

This policy is imposed by some external forces like the state or central government. The policies are binding on the organisation. Labour ministry formulates policy with regard to labour, and it is binding on the organisation. It cannot be avoided.

◆ Policy by Authorities

c. Appealed Policy

When certain exceptional situation arises, the manager may make an appeal to his superior for deciding on the problem. The policies are framed to handle such current, unpredictable situations. Formulation of appealed policy on a regular basis may hinder the work performance. To avoid this, appealed policy should be replaced by the originated policies.

◆ Handle unpredictable situations.



According to the Organisational Structure:

a. Internal Policy

Internal policies are designed by the management and they act as guidelines to the subordinates. It establishes rules and parameters within which subordinates should operate. It creates the realm for subordinates to work. The examples of internal policies are recruitment and selection policy, budgetary policy etc.

- ◆ Creates realm for Subordinates

b. External Policy

Such policies are framed to tackle the external problems. Organisations redesign or frame new policy in reply to the environmental factors or forces. For example,. Change in pollution norms.

- ◆ tackle external problems

According to the Mode of Expression:

a. Written Policy

Policies expressed in the form of written statements are called written policies. It avoids confusion and misunderstanding. It is always advisable to have policy in written form.. These policies define boundaries within which decision need to be taken by the subordinates.

- ◆ written statements

b. Oral Policy

A policy issued merely by word of mouth is termed as oral policy. These policies are easy to communicate as compared to written policy. Oral policies are simple and quick to exercise. If the policies are not defined clearly, it may create confusion amongst the employees. With the passage of time there are chances that the policy may be forgotten or misinterpreted.

- ◆ Word of mouth

c. Implied Policy: Implied policy is neither a written nor an oral policy. It is being followed conventionally. Such policies can be inferred from the mere behaviour of subordinates or managers. They are not explicit or expressed policies. For example, a company produces goods in the price range which is comfortable for middle class people. This indicates that the intention of the company is to serve the middle income groups.

- ◆ Conventionally followed policies

According to the Importance:

a. Basic Policy: It implies the fundamental philosophy of the enterprise. Basic policies are framed by the top management.

b. Major Policy: These policies are concerned with the major issues and are the concern of the organisation. Example:. Promotion Policy, Distribution Policy etc.

c. Minor Policy: To tackle routine matters, minor policies are decided by the line managers. They may relate to the amount of discount, time of delivery of product etc.

According to the Scope:

a. General Policy: These policies are framed by the middle level.

b. Specific Policy: Policies which are not general are specific policies. Example: Departmental policy.

c. Directive Policy: A directive policy is essential when decentralized discretion is not possible or when it may be contrary to the best interest of the company as a whole.

According to the Levels of Management:

a. Top Management Policies: These policies generally cover long range planning. They are decided by the top management. Example: Budgeting and Product Launching etc.

b. Upper Middle Management Policies: These policies are decided by the department heads. But while framing such policies, the manager should link it with the major policies of the organisation.

c. Middle Management Policies: The superintendant or junior manager frames these policies. The policies may relate to sales, finance etc.

According to the Situation:

1. Normal Policy: To guide employees about day to day work such policies are framed. Future is uncertain and unpredictable; hence these policies act as guidelines to the employees.

2. Contingent Policy: These policies help the subordinates to handle uncertain and abnormal situations.

According to the Function:

1. Administrative Policy: These policies are concerned with the administration of the organisation. It covers a broad area of administration. Such a policy aims at controlling the staff.

2. Composite Policy: It is a policy that is made out by combining the policies submitted by every department. Each department submits its policy to the budget officer who prepares consolidated statement in a coordinated manner. Such a policy statement when approved by the Board is called "Composite Policy."

3. Supplementary Policy: The issues not covered by the composite policies are covered under the supplementary policy.



4. **Departmental Policy:** The policies prepared by individual departments for their routine working are called departmental policies. Example: Personal Department Policy.

1.1.6 Essentials of Good Business Policy

The essentials of a sound business policy are

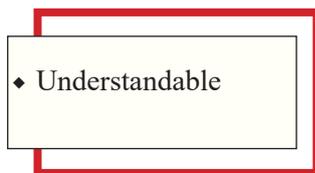
a. Relationship to Organisation Objectives

The policies should be based on organisation objectives, i.e., what purposes and objectives the business has in view to achieve and how these can best be achieved. It should clearly reflect the principle, concepts, practices and philosophies of the organisation. Further, the policies should be capable of relating the organisation's objectives to other factors. It should be noted that when a policy fails, the firm will find itself seriously hampered in trying to achieve its objectives more than the company's personnel in trying to achieve theirs.



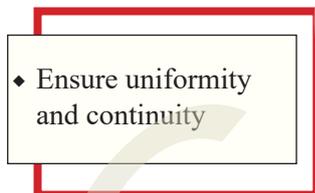
b. Simple and Easily Understandable

The policy should be stated in definite, positive and clearly understandable terms. Unambiguous statement of policy is necessary for a clear understanding of it on the part of those affected by it. Clarity is the essence of a good policy so that everyone in the organisation knows what it proposes to achieve.



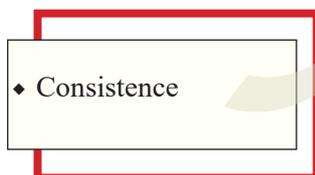
c. Written Policies

Preferably, policies should be written so that they can be integrated within systems and policy manuals. Written policies make a commitment on the part of management, employees and others that “the top management does what it says.” They ensure uniformity of application and assure continuity of action even when the top management is changed. They help to ensure that professed policies are ‘right,’ for an organisation tries to put its best foot forward.



d. Stable but not Rigid

The policy must be reasonably stable but not rigid. Stability implies firmness and constancy. Such a stable policy inspires confidence in the minds of the employees, customers and dealers. It should not be altered frequently, but should be stable for a fairly long time, say two to three years. Frequent changes in policies often create confusion in the minds of those who are to follow these.



1.1.7 Differences between Strategic Management and Business Policy

Strategic management and business policy are key components of organisational governance, with each having a unique

◆ Strategic management -long-term goals

◆ Business policy - day-to-day operations

role in guiding a company's direction and operations. While they share the goal of increasing competitiveness and attaining organisational objectives, they differ greatly in scope, focus, and approach. Strategic management refers to the full process of developing, implementing, and assessing strategies to achieve long-term organisational objectives and acquire a sustainable competitive advantage. It entails analysing the external environment, recognising opportunities and dangers, evaluating internal capabilities and resources, and combining these elements to develop effective plans. Strategic management works at a high abstraction level, addressing broad concerns including market positioning, industry trends, resource allocation, and diversification. It demands a comprehensive perspective that takes into account numerous stakeholders, competitive factors, technology breakthroughs, and global market dynamics.

Business policy refers to the creation and implementation of precise guidelines and procedures that regulate day-to-day operational activity inside an organization. It focuses on transforming strategic goals into executable plans and processes, guaranteeing uniformity and coordination across many functional areas such as human resources, finance, marketing, and operations. Business policy focuses on short- to medium-term goals and tactical execution, addressing urgent operational difficulties and opportunities. It works on a more comprehensive and particular level, offering standards for decision-making and activities within functional silos and departmental boundaries.

The distinctions between strategic management and company policy can be further clarified by considering their important characteristics:

Scope and Timeframe:

- ◆ **Business Policy:** Business policy typically focuses on short- to medium-term goals and addresses day-to-day operational activities within the organization.
- ◆ **Strategic Management:** Strategic management, on the other hand, deals with long-term goals and encompasses the entire process of developing, implementing, and evaluating strategies to achieve sustainable competitive advantage.

Purpose:

- ◆ **Business Policy:** Business policy aims to ensure uniformity and coordination across various functional areas such as human resources, finance, marketing, and operations by



establishing precise guidelines and procedures.

- ◆ **Strategic Management:** Strategic management aims to achieve long-term organizational objectives and acquire a sustainable competitive advantage by analyzing the external environment, evaluating internal capabilities, and developing effective plans and processes.

Focus:

- ◆ **Business Policy:** Business policy focuses on tactical execution and addresses immediate operational difficulties and opportunities within functional silos and departmental boundaries.
- ◆ **Strategic Management:** Strategic management works at a high abstraction level, addressing broad concerns such as market positioning, industry trends, resource allocation, and diversification.

Summarised Overview

The concept of company business has evolved significantly, from an initial concentration on administrative procedures to a more comprehensive strategic approach to organisational administration. Originally concerned with establishing rules and regulations for day-to-day operations, it has evolved to encompass a more strategic perspective, emphasising the alignment of operational activities with overarching organisational goals and objectives in response to increasing complexity and competition in the business environment. Business policy is critical in driving decision-making and activities within organisations, providing a framework to promote coherence, consistency, and alignment with strategic objectives. It gives stability and direction for successfully navigating problems and seizing opportunities, especially in a world of rapid change and ambiguity. A successful business policy must have clear objectives, transparency in communication, flexibility to react to changing dynamics, and conformity with legal and ethical standards to protect the organization's reputation and integrity. There are several sorts of business policies, including operational, administrative, financial, and personnel policies, each of which serves a specific function within the organisation. While corporate policy focuses on creating and implementing norms for day-to-day operational actions, strategic management involves the complete process of setting goals, developing strategies, and assessing their efficacy. Strategic management functions at a higher level of abstraction, addressing bigger strategic issues like market positioning and resource allocation while directing the organization's overall direction and priorities. Business policy, on the other hand, integrates strategic objectives into actionable strategies and procedures that drive operational excellence and achieve organisational goals while also maintaining uniformity and coordination across functional areas.

Self-Assessment Question

1. What is a business policy?
2. What are the essentials of a good policy?
3. How is strategy different from policy?
4. Distinguish between policy and strategy
5. Bring out the above differences by illustrating with an example.
6. Define the concept of business policy in your own words, highlighting its core components and purpose within organisational management.
7. How does the meaning of business policy differ from related concepts such as strategy, and what distinguishes it as a unique organisational framework?
8. Explain the relationship between business policy and strategic management. How does the concept of business policy fit into the broader framework of strategic planning and execution?
9. Provide examples of how effective business policies contribute to the alignment of organisational activities with long term strategic goals.
10. Evaluate the significance of business policy in guiding decision making processes within an organisation. How does adherence to established policies contribute to organisational stability and growth?

Assignments

1. Critically evaluate the evolution in the context of changing economic, social, and technological landscapes.
2. Analyze case studies of companies showcasing the role of effective business policy in achieving strategic objectives and sustaining competitive advantage.
3. Discuss the importance of aligning business policy with organizational goals and values for long-term success.
4. Discuss the complementary nature of business policy and strategic management in achieving organizational goals.
5. Define the concepts of business policy and strategic management, highlighting their similarities and differences.



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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU



Unit 2

Strategic Management Process

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ demonstrate an appreciation of areas which are fundamental to the development of successful strategy.
- ◆ outline and critique the major perspectives on the conduct of strategy.
- ◆ explain and use the most common tools of strategic analysis.

Background

Strategic management is influenced by various forces that shape the way organisations formulate and execute their strategies. External forces include the dynamic nature of the business environment, characterised by technological advancements, market changes and globalisation. Rapid technological innovations force companies to adapt or risk obsolescence, while global interconnectedness requires organisations to consider international markets and competition. Economic forces, such as fluctuations in currency values and economic cycles, impact strategic decisions. Sociocultural forces, including changing demographics and consumer preferences, drive the need for businesses to align their strategies with social trends. Political and legal forces, such as regulatory changes and government policies, also play a crucial role in shaping strategic choices. Internal forces, on the other hand, emanate from within the organisation. Organisational culture, leadership styles and the capabilities of employees influence strategic management. Resource constraints and financial considerations impact the feasibility of strategic initiatives. Strategic management is a dynamic process that responds to the interplay of these internal and external forces, requiring organisations to be agile and proactive in navigating the complexities of the business environment

Keywords

Mission, Vision, Objective, Goal

Management of companies is essential for the systematic growth and development of the company and this is possible by providing vehicles to generate and screen strategic options. The management strategies are formulated on the basis of the company's mission and vision. In line with them, the goals and objectives are set for the company. These provide organisational identity and understanding of business directions. New organisations have to frame their own vision and mission and existing firms have to fine tune their vision and mission.

1.2.1 Tasks of Strategic Management

The, strategy implementing process consists of five inter related managerial tasks:

a. Developing a Strategic Vision and Business Mission

The foremost direction that managers need to ask is the vision for the company which pushes managers to consider what the company's business character is and should be and to develop a clear picture of where the company needs to be headed over the next 5 to 10 years. Answers to these questions shape a course for the organisation to take and help establish a strong organisational identity. A mission statement defines a company's business and provides a clear view of what the company is trying to accomplish for its customers. Management's concept of the business needs to be supplemented with a concept of the company's future business characteristic and long term direction.

◆ Vision and Mission

b. Setting Objectives

The purpose of setting objectives is to convert managerial statements of business mission and company direction into specific performance targets. Setting objectives that are challenging but achievable can help guard against self-satisfied, non directed and internal confusion over what to accomplish. The objectives managers establish should ideally include both short term and long term performance targets. Short term objectives spell out the immediate improvements and outcomes management desires. Long term objectives prompt managers to position the company to perform well over the long term. As a rule, when a choice is to be made between achieving long run objectives and achieving short run objectives, long run objectives should take the priority. From company's general objectives, two types of performance objectives are called for: financial objectives and strategic objectives. Financial objectives are important because without acceptable financial performance

◆ Objectives Drive Performance



◆ Entrepreneurial Strategy

an organisation risks being denied the resources it needs to grow and prosper. Strategic objectives are needed to prompt managerial efforts to strengthen a company's overall business and competitive position.

c. Crafting a Strategy

Strategy making brings into play the critical managerial issue of how to achieve the targeted results in light of the organisation's situation and prospects. The task of crafting a strategy starts with solid analyses of the company's internal and external situation. A company's actual strategy is something managers must craft as events arise outside and inside the company. Crafting strategy is an exercise in entrepreneurship and outside in strategic thinking. Company strategies cannot be responsive to changes in the business environment unless managers exhibit entrepreneurship in studying market trends, listening to customers, enhancing the company's competitiveness and leading company activities in new directions in a timely manner. Good strategy making is therefore inseparable from good business entrepreneurship. A company encounters two dangers when its managers fail to exercise strategy making entrepreneurship. One is a stale strategy. The second danger is inside oriented strategic thinking.

d. Strategy Implementation and Execution

The strategy implementing function consists of seeing what it will take to make the strategy work and to reach the targeted performance on schedule. The job of implementing strategy is mainly a practice, close to-the-scene administrative task that includes the following principal aspects:

1. Building an organisation capable of carrying out the strategy successfully.
2. Establishing strategy supportive policies.
3. Motivating people in ways that stimulate them to pursue the target objectives energetically and if need be, modifying their duties and job behaviour to better fit the requirements of successful strategy execution.
4. Tying the reward structure to the achievement of targeted results.
5. Creating a company culture and work climate useful for successful strategy implementation.
6. Installing internal support systems that enable company personnel to carry out their strategic roles effectively day in and day out.
7. Performing best practices and programmes for continuous improvement.

8. Applying the internal leadership needed to drive implementation.

e. **Evaluating Performance, Reviewing New Developments and Initiating Corrective Adjustments**

The search for ever better strategy execution is also continuous. Sometimes an aspect of implementation does not go as well as intended and changes will have to be made. Implementation has to be thought of as a process, not an event. It occurs through the gross effects of many managerial decisions and many actions on the part of work groups and individuals across the organisation.

1.2.2 Factors shaping Strategy

Environmental Constraints:

The dynamic elements of environment affect the way in which strategy is made. The survival and prosperity of a firm depend largely on the interaction of the elements of environment, such as shareholders, customers, suppliers, competitors, the government and the community. These elements constitute the external constraints. The flexibility in the choice of strategy is often governed by the extent and degree of the firm's dependence on the environment.

Dynamism of Market Sector:

Market forces vehemently influence the choice of strategy. For example, a firm which obtains bulk supply of its raw materials or components in a competitive market will have greater flexibility in its strategic choice than another firm which has to depend for its supplies on an oligopolistic market.

Intra-Organisational Factors:

Organisational factors also affect strategic choice. These include organisational mission, strategic intent, goals, organisation's business definition, resources, policies, etc.

In choosing a strategic alternative, strategy makers must consider pressures from the corporate culture. They must assess a strategy's compatibility with that culture. Every organisation has its own corporate culture. It is made of a set of shared values, beliefs, attitudes, customs, norms, etc.

1. Industry and cultural backgrounds affect strategic choice.
2. Impact of past strategies
3. Personal characteristics
4. Managerial attitude to risk and
5. Value System

◆ External Environment Shapes Strategy

◆ Future Aspirations

1.2.3 Vision

A vision articulates the position that an organisation would like to attain in the distant future. It helps in creating a common identity and a shared sense of purpose. Vision is a short and brief statement of what the company intends to become and achieve at some point in the future. It refers to a category of intentions that are broad, all-encompassing and forward thinking.

A good vision possesses the following features:

- ◆ It should be inspiring.
- ◆ It should foster long term thinking.
- ◆ It should be original and unique.
- ◆ It should be competitive.
- ◆ It should be realistic.
- ◆ Vision must be plausible to employees and shareholders of the company.
- ◆ Vision must be attractive and appropriate for the organisation and for the times.
- ◆ Good vision sets standards of excellence and reflects high ideals.
- ◆ Vision is something different and exceptional to reflect the uniqueness of the organisation.

Examples:

Company	Vision
Tata Motors	Most admired by our customers, employees, business partners and shareholders for the experience and value they enjoy being with us.
Infosys	To be a globally respected organisation that provides best of breed business solutions, leveraging technology, delivered by the best-in-class people.

- ◆ Purpose for existence

1.2.4 Mission

Mission refers to the purpose of an organisation. Mission states the business reason for the organisation's existence. Mission statement is used by the company to explain in simple and concise terms its purpose for existence. A mission statement provides a framework and context to guide the company's strategies and actions.

Collins and Porras define mission as a “ a clear and compelling goal that serves to unify an organisation's effort.” A mission has a finish line and a specific time frame for its achievement.

1.2.4.1. Components of a mission statement

There are diverse issues which need to be covered while framing the mission statement of a company. The components of a mission statement can be brought as under:

- ◆ Customers
- ◆ Products or services
- ◆ Markets
- ◆ Technology
- ◆ Concern for survival, growth and profitability
- ◆ Philosophy
- ◆ Self concept
- ◆ Concern for employees

1.2.4.2 Characteristics of Mission Statement

1. A mission statement should be realistic and achievable.
2. The mission statement should be precise.
3. A mission statement should be clear for action
4. A mission statement should be distinct.
5. It should have social linkage to build long term perspective in a better way.
6. It should not be static.
7. It should be motivating for members of the organisation and of society.
8. The mission statement should indicate the process of accomplishing objectives

Examples

Company	Mission statement
Tata Motors	To be passionate in anticipating and providing the best vehicles and experiences that excite our customers globally.



1.2.5 Differences between Mission and Vision

MISSION	VISION
It is like a dream	It is like action to reach a dream
It is the art of seeing things invisible	It comprises of activities that make things visible
A mission statement talks about the present which ultimately leads to the future.	A vision statement talks about the future of the organisation.
It acts as a guiding image of success	It provides focus on main business activities

1.2.6 Corporate Values

These refer to the operating philosophies or principles that guide a company's internal conduct as well as its relationship with stakeholders. Values are normally incorporated in mission statements.

Example

- ◆ Integrity
- ◆ Understanding
- ◆ Excellence
- ◆ Unity
- ◆ Responsibility

1.2.7 Objective

A corporate objective is a statement of intent which provides a basic direction for the activities of an organisation in pursuit of its mission. Objectives are the end results of a planned activity. They are stated in quantifiable terms.

The following characteristics must be present in a fairly framed statement of objectives:

- ◆ They should be specific and unambiguous.
- ◆ They should be flexible enough so that if changes are required, they may be incorporated easily.
- ◆ They should be attainable and measurable.
- ◆ They should be challenging.

1.2.8 Goals

Goals are those specific ambitions or quantifiable targets that are set by a company to which it commits to attain in order to achieve its corporate mission and objectives.

Organisational goals serve four basic functions:

- ◆ They provide guidance and action
- ◆ Facilitate planning
- ◆ Motivate and inspire employees
- ◆ Help organisations evaluate and control performance

1.2.9 Benefits of Organisational Goals

- ◆ Provide guidelines for action by directing and channeling employee efforts.
- ◆ Provide constraints in the organization. Goals act as a source of legitimacy by justifying the existence
- ◆ Define standard of performance
- ◆ Function as sources of motivation

1.2.10 Differences Between Goals and Objectives

GOALS	OBJECTIVES
They are broad descriptions of purposes of the company	They are narrow and specific description of purposes of company
It is difficult to measure them.	It is easy to measure them as they are generally quantifiable.
Provide general intentions of the company	Provide precise view of targets focused
They are intangible	They are tangible
They are long term perspectives of the company	The orientation is short term

1.2.11 Strategic Intent

Strategic intent refers to the purpose for which the organisation strives. It is the philosophical framework of strategic management process. The hierarchy of strategic intent covers the vision and mission, business definition and goals and objectives. Strategic intent is the term used to describe the inspirational plans, overarching purpose or intended direction of travel needed to reach an organisational vision. Beneficial change results from the strategic intent, ambitions and needs of an organisation. There are three major attributes of Strategic intent, namely sense of direction, sense of discovery and sense of destiny.

◆ Guiding Ambition



Characteristics of Strategic Intent:

- ◆ It should have an essence of winning.
- ◆ It should remain stable over a period of time.
- ◆ It should encourage personal effort and commitment.
- ◆ It should foster creativity.
- ◆ The strategic intent notion helps the managers to focus on creating new capabilities to exploit future opportunities.

Summarised Overview

The effective management of companies is paramount for systematic growth and development and achieving this requires the formulation and implementation of well defined strategies. The strategic options must be generated and scrutinised, aligning with the organisation's mission and vision. The establishment of goals and objectives based on these foundational principles provides the organisational identity and a clear understanding of business directions. Whether for new organisations crafting their vision or existing firms fine-tuning their mission, the continuous evolution of strategic management tasks is imperative. The tasks of strategic management, comprising developing a strategic vision and business mission, setting objectives, crafting a strategy, implementing and executing the strategy, and evaluating performance, form a comprehensive framework. Each task contributes to the strategic management process, ensuring that the company's direction is well-defined and its goals are met. Factors shaping strategy include environmental constraints, market dynamism and intra-organisational factors. Industry and cultural backgrounds, impact of past strategies, personal characteristics, managerial attitude to risk and value systems influence strategic choices. Recognising these factors is crucial for effective decision-making in the dynamic business environment. Distinguishing between mission and vision; the former represents the present actions leading to the future, while the latter is the future-focused aspiration. Corporate values, essential to guiding internal conduct and stakeholder relationships, are often embedded in mission statements. Objectives and goals, quantifiable end results and specific targets, respectively, provide a roadmap for organisational activities. The benefits of organisational goals include providing guidelines, facilitating planning, motivating employees and enabling performance evaluation and control. Understanding the differences between goals and objectives and the concept of strategic intent, which encapsulates the inspirational plans and overarching purpose, enriches the strategic management process.

Self-Assessment Questions

1. What is Vision?
2. What do you understand by mission?
3. What do you mean by Objective?
4. What is the need of setting objectives in an organisation?
5. Differentiate between vision and mission.
6. “Employees have a greater role to play in formulating strategy”. Comment.

Assignments

1. Explore the impact of digitalization and technological advancements on the strategic management process.
2. Analyze case studies of companies leveraging digital technologies to gain competitive advantage and disrupt traditional industries.
3. Discuss the opportunities and challenges of digital transformation for organizations and strategies for adapting to the digital age.
4. Discuss the challenges and best practices associated with implementing strategic plans within organizations.
5. Develop a strategy implementation plan outlining specific action steps, responsibilities, and timelines.

Suggested Reading

1. Arthur A. Thompson Jr, Strickland. (2010). “Strategic Management- Concepts and Cases” TATA McGraw Hill Company Ltd, Second Reprint, New Delhi.
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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU



Unit 3

A Model of Strategy and Elements

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ identify and evaluate the internal and external factors that help in development of strategy.
- ◆ get an awareness on the elements of strategic planning
- ◆ explain steps in strategic planning

Background

Organisations consistently seek avenues for enhancement, a pursuit integral to their sustained relevance and more significantly, profitability. The mere desire for improvement, however, is insufficient; a deliberate strategy and an operational model are indispensable components. Unsurprisingly, there exist frameworks tailored for this purpose known as strategic planning models. Essentially, a strategic planning model delineates how an organisation translates its strategy into a comprehensive plan for execution, aiming to refine operations and align more effectively with their objectives. An illustrative instance of such strategic planning is evident in corporate strategy, strategically crafted to augment revenue and bolster brand reputation. Leveraging various approaches, from the introduction of new products and improvements in quality to the deployment of assertive marketing and sales techniques, organisations can tap into diverse growth opportunities. This chapter, therefore, delves into the intricacies of evaluating both the internal and external environments of a company, ultimately guiding the formulation and execution of effective strategies.

Keywords

Strategic Planning, Internal Environment, External Environment

- ◆ Roadmap to vision and mission

1.3.1 Strategic Planning

Strategic planning refers to the process of defining the strategy of an organisation and taking decisions on allocation of resources in pursuance of the strategy. It also involves the controlling of the organisational mechanisms for guiding the implementation of the strategy. The underlying assumption about strategic planning is that the future can be anticipated, forecasted, managed and controlled and the best way to do so is to have a formal and integrated planning. Strategic planning formulates a well thought out plan for properly allocating time, human capital and financial resources. Strategic planning is the process by which an organisation clearly defines its Vision, Mission, Objectives, Strategies and Action Plans.

A disciplined effort to produce fundamental decisions and actions that shape and guide what an organisation is, what it does and why it does it.” - Bryson J. M.

“Strategic planning refers to a process defining organisational objectives, implementing strategies to achieve those objectives and measuring the effectiveness of those strategies” – Campbell.

1.3.2 Characteristics of Strategic Planning

- It is a process for setting future directions.
- It is a mean for making strategic decisions.
- It explains the business to others to get them involved and motivated.
- It helps in the monitoring of performance.
- To set standards of accountability for people and programmes.

1.3.3 Importance of Strategic Planning

It is a tool that is useful in guiding current operations and also for evaluating progress in an organisation and find out approaches to move forward. The need for strategic planning increases as organisation grows and there arises a complex environment.

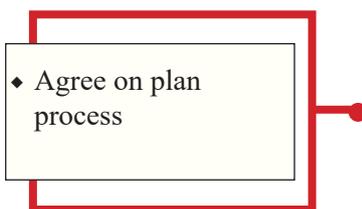
- ◆ Strategic planning provides a clear direction for the organisation as to how and what is to be done. Only then will an organisation be able to achieve the goals.
- ◆ Strategic planning involves looking at the organisation as a whole and helping in effective management of the organisation.

- ◆ Defining the shared vision and the future direction result in a consensus among the staff regarding the vision and mission of the organisation.
- ◆ The planning process prioritises the work to be done to attain the desired future.
- ◆ Strategic planning clearly examines the strengths of the organisation.
- ◆ Reviews the systems and processes of the organisation.

1.3.4 Steps in Strategic Planning

◆ Initiate and Agree Upon a Strategic Planning Process

The first step is to initiate and agree on a strategic planning process. There tends to exist an agreement on purpose among decision makers or strategists about the overall strategic planning effort and key planning steps. This step includes creation of initial agreement within strategic planning idea covering important items such as purpose, steps and membership of strategic planning team and major limitations in the process.



◆ Identify Organisational Mandates

The purpose of this step is to recognise and clarify the formal and informal mandates or directives placed on the organisation. These mandates will be contained in the legislations, articles of associations and other regulations established by the company. Unless mandates are identified and clarified there tends to arise difficulties.



◆ Clarify Organisational Mission and Values

Mission provides the most important justification for the existence of an organisation. It is important that an organisation should have a clear understanding of why it exists, who its customers are, what services it provides to them and that its customers' needs are being served. A clear vision statement fosters discussion on the issues that are important for the organisation.



◆ Assess the External and Internal Environments of the Organisation

During the planning process, an organisation should examine its internal and external environments to determine the best strategies for a successful future. Internal factors should be examined to identify strengths and weaknesses, while external factors should be examined to determine opportunities, threats and challenges. Both the external and internal assessments enable an organisation to identify and focus on its key issues.

- ◆ Identify the strategic issues facing the organisation.
- ◆ Formulate strategies to manage the issues.
- ◆ Review and adopt strategic plans.
- ◆ Establish an effective organisational vision.
- ◆ Develop an effective implementation process.
- ◆ Reassess strategies and strategic planning process.

1.3.5 Models of Strategic Planning

Each organisation has its own unique situations of strengths, weaknesses, opportunities and threats and so it has to develop or adopt a strategic planning model that perfectly meets the requirements of strategy formulation. Some of the important models of strategic planning are described below:

1. Vision Based Strategic Planning Model:

It is also known as goal based strategic planning. Here the strategists look ahead into future and suggest specific goals to be achieved by the time. For example, setting 30% profit rate at the end of the next three financial years.

A typical vision based strategic planning, encompasses the following stages:

1. Establishing of a Vision and Mission statement.
2. Selecting the goals that the organisation must attain.
3. Formulating the strategies that must be implemented to attain the goals.
4. Identifying the action plans to implement each strategy.
5. Arranging the mission, vision, strategies and action plans into a Strategic Plan document.
6. Implementing and monitoring the strategic plan and updating the plan as needed.

2. Issues Based Strategic Planning Model

This model begins by examining the issues faced by the organisation and formulating appropriate strategies to address those issues. The following are the major steps in an issue based strategic planning;

1. Identification of the major issues confronted by the organisation.

2. Critical examination of each issue in order to develop appropriate strategies.
3. Formulation of strategies to resolve the issues.
4. Compiling the issues and ideas into a strategic plan document.
5. Implementation of the plan and modification of the plan as needed.

3. Scenario Based Strategic Planning Model

The strategists discuss different future organisational scenarios such as the best scenario, the worst scenario and a reasonable scenario which might arise with the organisation as a result of each change. The purpose of scenario planning is to suggest what the organisation might do, or to formulate potential strategies, in each of the three scenarios to respond to each change.

◆ Respond to scenario change

4. Real Time Strategic Planning Model

Real time strategic planning Model takes into account the ongoing nature of forming strategies. The basic assumption of this model is that it is not advisable for an organisation to rely on one grand organisation strategy; rather it must constantly monitor the environment to understand its position and plan for the future.

◆ Constant Monitoring

5. Organic Strategic Planning Model

Organic strategic planning is a unique approach to the company's growth. It changes the traditional strategic planning paradigms by focusing on identifying the best practices, processes and methodologies in the organisation. The model aims at providing a framework for sustaining the growth of the organisation.

◆ framework for sustaining the growth

6. Alignment Strategic Planning Model

The purpose of the alignment model of planning is to ensure a strong alignment between the organisation's mission and its resources for its effective functioning. This model is useful for organisations that need to fine tune its strategies.

◆ Mission-Resource Fit

7. Interblended Strategic Planning Model

This model is combination of all the available strategic planning models. It is on the assumption that none of the strategic planning models can be fully effective in complex strategic planning situations. The model is also known as multi criteria based strategic planning.

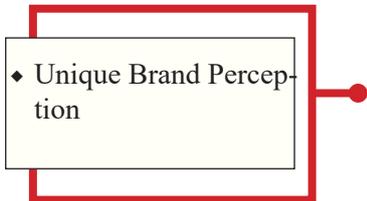
◆ Multi-Factor Approach

1.3.6 Factors in the Selection of a Strategic Planning Model

1. Purpose of Strategic Planning
2. Past Experiences
3. Culture of the Organisation
4. Nature of the Environment
5. Organisational structure

1.3.7 Positioning

Positioning defines how the brand's offering is unique and how it provides a distinct benefit to customers. Businesses use marketing to communicate their market position to customers and influence their perception of the brand's products or services. A positioning strategy is a strategic marketing plan that helps you determine where your business stands in the market and how it should be positioned to attract more customers. A poorly positioned product will never reach its full potential no matter how well it is marketed, while an excellent positioning strategy can be all that stands between failure and profitability. A good brand positioning is one that creates a unique space for the product or service in the mind of the customer. Wrong positioning can kill a brand. It can do this by making the product unattractive to the right audience or by targeting the wrong audience.



1.3.8 Determining a Positioning Strategy

A successful positioning strategy relies on a deep understanding of the marketplace you want to compete in. It identifies how your company is different from the competitors and the conditions and opportunities in the marketplace. A big mistake that many businesses make is assuming that positioning is just a marketing strategy. Customers can recognise a clear positioning strategy and understand whether a brand is competing on price or quality. Organisations must clearly define their positioning across the value chain; otherwise, communication loses focus and can become confusing.



There are five main strategies upon which businesses can base their positioning.

1. Positioning based on product characteristics

Using product characteristics or benefits as a positioning strategy associates your brand with a certain characteristic that is beneficial to customers. For example, in the automobile industry, Toyota's position in the market is reliability, Porsche's position is performance and Volvo's position is safety.

2. Positioning based on price

Positioning your products or services based on price is associating your brand with competitive pricing. Usually, with pricing positioning strategy, a brand aims to be the cheapest or one of the cheapest in the market, and value becomes their position. For example, Supermarket chains often have a house brand with very low-price products in many product categories. Brands can also position their products based on price if they find a gap in the market at a certain price point. Being the only option in a certain price range becomes your market position. Often brands extend their product lines to fill a gap in the market.

◆ Value Through Competitive Pricing

3. Positioning based on quality or luxury

Positioning a product based on its high quality or ‘luxury’ is different from positioning based on price. Often these brands do not communicate their price point, but instead high quality or prestige is the focal point of communication, to create a desire so that customers want the product regardless of the price. Luxury does not always mean better quality, but customers still believe it is better because of the reputation of the brand due to their long-term brand positioning strategies.

◆ Luxury & Exclusivity

4. Positioning based on product use or application

Associating your product with a particular use is another way to position your brand in the market. For example, meal replacements designed specifically for people who want performance in the gym, high in calories and added vitamins and minerals. Other meal replacements are for people on a diet, so they are low in calories and would not provide much energy for somebody’s workout.

◆ Specific Use Targeting

5. Positioning based on competition

Brands can also use the competition as a reference point to follow a similar strategy. If a particular brand has a large market share, their positioning strategy must be attractive to a large group of customers, so you try and convert some of their customers by offering a similar product with similar benefits at the same price point.

◆ Competition

1.3.9 The 3 Cs of working out your strategic positioning

Successful branding starts with understanding the market and knowing your target audience. The three keys to strategic positioning are often referred to as the “three Cs.”

- i. Customer - A customer's needs are the most important aspect of positioning; so it is pivotal to pay attention and focus on what they want.
- ii. Channel or sales team - The more experience channels have in the sales cycle, the better equipped they will be to help you identify what makes your brand strong so that you can focus on just those qualities during positioning strategy development.
- iii. Competition - The best way to ensure a position that sets you apart from the competition is by making sure your product really stands out from what is already on the market.

1.3.10 Strategic Choice

Strategic choice simply refers to the strategy chosen out of available alternatives for attaining organisational objectives. It is termed as the most appropriate one that is selected after analysis of various facts by experts. Strategic choice is the outcome of a systematic examination of distinct alternatives where different experts make their own calculations and finally select a strategy by bargain. Strategic choice refers to the decision which determines the future strategy of a firm. A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis is conducted to examine the strengths and weaknesses of the firm and opportunities that can be exploited. Anticipating a change in consumer tastes and introducing a service to take advantage of that change before competitors do is an example of a good strategic choice.

◆ Decision for Future Direction

1.3.11 Importance of Strategic Choice

Some of the strategic choices make up a part of bigger strategic policies of the company. Hence, important emphasis is given to them and decision makers follow due diligence before coming up with a final strategic choice. At times, the major shareholder uses his influence for the final strategic choice benefiting his agenda.

In a nutshell, strategic choice is a combination of intent, analysis and options available.

1.3.12 Strategic Choice Parameters

The initial process involves identifying the problem completely. Once we have a clear picture of the problem in hand, the process of short listing various solutions is undertaken. Then comes up the strategic choice process where decision for final choice is taken considering the various parameters in mind.

Some of these parameters could be:

1. Feasibility
2. Prudence
3. Consensus
4. Acceptability

1.3.13 Factors Affecting Strategic Choice

The following are the factors which affect strategic choice.

- ◆ Environmental constraints.
- ◆ Attitude of management towards risk.
- ◆ Restrictions related to time such as time pressure and decision timing.
- ◆ Reaction of competitors.
- ◆ Restrictions related to information.
- ◆ Values and preferences.
- ◆ Impact of past strategies.
- ◆ Relationship between management power and internal organisation.

1.3.14 Process of Strategic Choice

- i. Focusing on Strategic Alternatives - GAP analysis is used by managers for determining this manageable number of feasible strategies. They visualize the future state of business for identifying the suitable alternatives.
- ii. Analyzing the Strategic Alternatives - The chosen alternatives are analyzed on the basis of certain factors termed as selection factors. These factors provide a criterion for doing an evaluation of these alternatives. These factors include objective and subjective factors.
- iii. Evaluation of Strategic Alternatives - Analyses performed earlier on the basis of objective and subjective factors are brought together in this step. Proper evaluation from different aspects of distinct alternatives is performed to arrive at the most appropriate one.
- iv. Making a Strategic Choice - Finally, the strategic choice is made after doing an evaluation that gives a clear idea about which one is the most appropriate under existing conditions.
- v. Strategy in Action - Strategy in Action (SIA) helps you

and your leadership team to co-create and activate your organisation's strategy, ensuring alignment, commitment and a full sense of ownership to deliver your plan.

1.3.15 Steps to Action Planning

The Seven Steps of Action Planning are:

1. Define the Problem(s)
2. Collect and Analyze the Data
3. Clarify and Prioritize the Problem(s)
4. Write a Goal Statement for Each Solution
5. Implement Solutions: The Action Plan
6. Monitor and Evaluate
7. Restart with a New Problem or Refine the Old Problem

1.3.16 External and Internal Analysis in Strategic Management

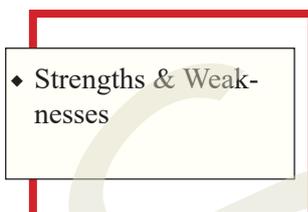
A SWOT analysis is used to identify the key internal and external environmental factors that are seen as important to achieving organisational goals. A good SWOT analysis will help an organisation minimize the weaknesses and threats while taking advantage of the strengths and opportunities.

Internal Analysis for Strategic Management

Internal analysis focuses on evaluating all aspects of the organisation itself. Although internal analysis can sometimes take into account the actions of external organisations or market wide shifts, it is largely related to the inherent traits of the organisation at hand. For example, internal analysis can allow you to identify both strong and weak aspects of your organisation, without taking into account the performance of external organisations.

External Analysis for Strategic Management

External analysis is less about the organisation itself and more about its business environment (including its competitors). The number of new competitors entering the industry, the cost of materials used to manufacture your products, or the regulatory frameworks set out by governments — these are all examples of variables which are out of your organisation's control, and should be taken into account in external analysis. External analysis is also very important in the context of strategic management. When evaluating your organisation's goals and resources, there is a need to look at the surrounding business environment.



Macro environmental factors

Macroenvironmental factors play a pivotal role in shaping organizational strategies, exerting influence from external forces that are beyond the immediate control of the organization. These factors encompass a broad spectrum of elements, including economic, social, technological, environmental, and political aspects. Economic factors such as inflation rates, exchange rates, and economic growth significantly impact strategic decisions by affecting consumer purchasing power, cost of capital, and market demand. Social factors, including cultural norms, demographics, and lifestyle trends, shape consumer preferences and behaviors, thereby guiding product development, marketing strategies, and market segmentation. Technological advancements, such as automation, artificial intelligence, and digitalization, continuously reshape industries, altering competitive dynamics, operational processes, and customer experiences, prompting organizations to adapt their strategies to stay relevant and competitive in the rapidly evolving landscape. Environmental factors, such as climate change, sustainability concerns, and regulatory policies, increasingly influence strategic choices, driving the adoption of eco-friendly practices, renewable energy sources, and responsible supply chain management to mitigate environmental risks and meet stakeholder expectations. Moreover, political factors, including government regulations, trade policies, and geopolitical instability, pose both opportunities and threats to organizations, necessitating strategic responses to navigate regulatory compliance, geopolitical risks, and market uncertainties effectively. In summary, macroenvironmental factors serve as critical considerations in strategic planning, guiding organizations to anticipate and respond to external challenges and opportunities, thereby enhancing their resilience, competitiveness, and long-term sustainability in the dynamic global marketplace.

◆ External Forces

Summarised Overview

In the process of developing a strategic model, organisations embark on a multifaceted journey that involves several interconnected stages. Firstly, the development of a strategic model encompasses the identification and formulation of key strategies that align with the organisation's greater goals and objectives. This strategic positioning sets the foundation for decision making and resource allocation. The subsequent step involves making choices, wherein organisations evaluate various alternatives and select the most viable strategies to pursue. Once these choices are made, the strategic model moves into the phase of putting the chosen strategies into action and, implementing

them across different facets of the organisation. Critical to this process is the ongoing evaluation of the company's external and internal environments. The external environmental analysis involves a comprehensive examination of macro environmental factors that impact the organisation. These factors include economic, social, technological, environmental and political influences, among others. Understanding these external forces is crucial for anticipating challenges and opportunities in the broader business landscape. Simultaneously, the internal environmental analysis involves an introspective assessment of the organisation's strengths, weaknesses, opportunities and threats (SWOT analysis). This self-awareness aids in identifying the organisation's core competencies and areas requiring improvement. Macro environmental factors, a sub set of external analysis, play a pivotal role in shaping organisational strategies. These factors encompass elements beyond the organisation's direct control, such as economic conditions, cultural shifts, technological advancements and regulatory changes. The impact of these macro factors can significantly influence the success or failure of strategic initiatives. As organisations navigate the dynamic business environment, a thorough understanding and adept consideration of these macro environmental factors becomes essential for formulating resilient and adaptive strategies that align with the organisation's long-term goals.

Self-Assessment Questions

1. What do you mean by strategy in action?
2. What is strategic choice?
3. What are the internal and external environmental factors affecting strategy?
4. How does an organisation initiate the process of developing a strategic model?
5. What role does strategic positioning play in the overall framework of developing a strategic model?
6. Can you elaborate on the significance of making choices in the context of strategic model development?
7. What steps are involved in transitioning from strategic positioning to putting strategies into action?
8. In the context of strategic development, how does an organisation evaluate its internal environment?
9. What is the purpose of conducting a SWOT analysis during the internal environmental analysis?
10. How can an organisation identify its core competencies through internal environmental analysis?



11. What are the key components of evaluating the external environment in the context of strategic planning?
12. Why is it important for organisations to consider macro environmental factors during strategic analysis?
13. How do economic conditions, cultural shifts and technological advancements contribute to the macro environmental factors influencing strategic decisions?

Assignments

1. Assess how the company's understanding of environmental factors has influenced its strategic choices and outcomes.
2. Provide recommendations for improving the integration of environmental analysis into the company's strategy creation process.
3. Explore the macro environmental factors (e.g., political, economic, social, technological, environmental, legal) influencing strategic decision-making.
4. Analyze case studies of companies adapting their strategies in response to macro environmental changes.
5. Discuss the process of strategic decision-making and the factors influencing strategic choices.
6. Analyze case studies of companies making strategic choices in response to internal and external factors.
7. Propose a strategic choice framework for a hypothetical company facing strategic challenges in its industry.

Suggested Reading

1. Arthur A. Thompson Jr, Strickland. (2010). “Strategic Management- Concepts and Cases” TATA McGraw Hill Company Ltd, Second Reprint, New Delhi.
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Unit 4

Demographic Elements

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ familiarise with the demographic elements of macro business environment.
- ◆ identify the various elements of the macro business environment;
- ◆ discuss the development of strategies in response to the challenges in the macro business environment.

Background

Demographic elements constitute a fundamental aspect of the macroenvironment, encapsulating various characteristics of populations that profoundly influence social, economic, and political dynamics. Understanding demographic trends is crucial for organizations across industries, as they shape consumer behaviors, workforce composition, market demand, and societal norms.

At its core, demographics encompass factors such as age, gender, ethnicity, income, education, family structure, and geographic location. These elements provide insights into the composition, distribution, and evolution of populations, thereby informing strategic decision-making processes.

One of the most significant demographic shifts in recent decades is the ageing population phenomenon, driven by declining birth rates and increasing life expectancy. This trend has profound implications for industries such as healthcare, finance, and consumer goods, as it creates opportunities and challenges related to healthcare services, retirement planning, and elder care products. Changes in family structures, such as the rise of single-person households, dual-income families, and multigenerational households, impact consumer preferences, household spending patterns, and market segmentation strategies. Shifts in educational attainment levels and workforce participation rates influence labor supply, skill requirements, and talent acquisition strategies for businesses. Demographic diversity, including factors such as ethnicity, race, and cultural backgrounds, influences consumer preferences, market segments, and branding strategies, highlighting the importance of inclusivity and cultural competence in marketing and product development efforts.



Keywords

Demographic Elements, Political forces, Socio-cultural factors, Technological issues, Legal factors, Ecological factors.

Discussion

1.4.1 Demographic elements

Demographic elements represent a foundational pillar of the macroenvironment, embodying the intricate tapestry of human populations' characteristics, behaviors, and dynamics. These demographic facets serve as vital drivers of societal, economic, and political phenomena, exerting profound influences on businesses, governments, and societies at large. Understanding the complexities and nuances of demographic trends is imperative for organizations across industries, as they navigate market landscapes, devise strategic initiatives, and anticipate future developments. Key aspects such as age structure, gender composition, ethnicity, income distribution, education levels, family dynamics, and geographic distribution are following

Age Structure

The age composition of a population holds significant implications for various aspects of society and the economy. Demographic trends, such as population aging, youth bulges, and generational shifts, profoundly shape consumption patterns, workforce dynamics, healthcare demands, and social welfare systems. In many developed countries, population aging is a prominent demographic trend driven by declining birth rates and increasing life expectancy. This demographic shift presents both challenges and opportunities for businesses and policymakers. On one hand, it creates a growing market for products and services catering to the elderly population, such as healthcare, retirement planning, leisure activities, and age-friendly technologies. On the other hand, it poses strains on healthcare systems, pension schemes, and intergenerational equity, calling for innovative solutions to address the needs of an aging population while ensuring sustainable fiscal policies and social cohesion.

◆ Ageing Population:
Challenges & Opportunities

Gender Composition

Gender demographics play a crucial role in shaping con-

◆ Gender Demographics: Consumer & Workforce

sumer behaviors, labor force participation rates, and societal norms. Gender imbalances, wage disparities, and cultural expectations influence consumption patterns, household dynamics, and market segmentation strategies. In many societies, women represent a significant and increasingly empowered consumer segment, driving purchasing decisions across various industries, including retail, healthcare, education, and finance. Businesses that recognize the diversity of gender preferences, lifestyles, and purchasing power can gain a competitive edge by offering inclusive products, targeted marketing campaigns, and gender-sensitive customer experiences. Gender diversity in the workforce is increasingly recognized as a source of innovation, productivity, and organizational resilience. Companies that promote gender equality, eliminate discriminatory practices, and foster inclusive work environments tend to attract top talent, enhance employee engagement, and achieve better business outcomes. Thus, addressing gender disparities and promoting diversity and inclusion initiatives are not only ethical imperatives but also strategic imperatives for businesses seeking sustainable growth and competitive advantage in today's global marketplace.

Ethnicity and Cultural Diversity

Ethnic demographics encompass the racial, cultural, and linguistic composition of populations, reflecting historical legacies, migration patterns, and social integration dynamics. Ethnic diversity enriches societies, fosters creativity, and expands market opportunities for businesses by catering to diverse tastes, preferences, and cultural identities. Companies that embrace cultural diversity, multicultural marketing strategies, and cross-cultural communication skills can build stronger brand loyalty, tap into new customer segments, and foster innovation through diverse perspectives and experiences. Promoting diversity and inclusion within organizations fosters a sense of belonging, fosters creativity, and strengthens employee morale and retention, contributing to long-term business success and resilience in an increasingly diverse and interconnected world.

◆ Ethnic Diversity: Market & Workplace Benefits

Income Distribution and Socioeconomic Status

Socio-economic demographics encompass income levels, wealth distribution, educational attainment, and occupational profiles within a population, reflecting disparities in economic opportunities, social mobility, and quality of life. Income inequality is a pervasive challenge in many societies, exacerbating social tensions, undermining social cohesion, and constraining economic growth prospects. Businesses operating in environments characterized by income disparities need to consider the purchasing power, affordability constraints, and value perceptions of different consumer segments. Socio-economic status in-



◆ Income: Market Segmentation

fluences consumption patterns, brand preferences, and access to goods and services, shaping market segmentation strategies and pricing policies. Understanding the diverse needs, aspirations, and constraints of consumers across income strata enables companies to develop inclusive business models, affordability solutions, and value propositions that cater to a broad spectrum of customers while promoting sustainable and inclusive growth.

Education Levels and Skill Profiles

Education demographics encompass literacy rates, educational attainment levels, skill profiles, and workforce qualifications within a population, reflecting investments in human capital, labor market dynamics, and economic competitiveness. Access to quality education is a critical determinant of individual opportunities, social mobility, and national development trajectories. Businesses rely on a skilled and educated workforce to drive innovation, productivity, and competitiveness in the global marketplace. Technological advancements, automation, and digitalization are reshaping labor markets and skill requirements, prompting a growing demand for STEM (science, technology, engineering, and mathematics) skills, digital literacy, and lifelong learning. Companies that invest in employee training, talent development, and education partnerships can enhance workforce capabilities, adaptability, and resilience in the face of technological disruptions and market uncertainties. Moreover, collaborating with educational institutions, governments, and industry partners can foster innovation ecosystems, knowledge transfer, and talent pipelines, driving sustainable growth and prosperity.

◆ Education Demographics: Skills & Workforce

Family Dynamics and Household Structures: Family demographics encompass household compositions, marital status, fertility rates, and childcare arrangements within a population, reflecting cultural norms, social values, and economic constraints. Changes in family structures, such as the rise of dual-income households, single-parent families, and delayed marriages, influence consumption patterns, labor force participation rates, and childcare needs. Businesses catering to family-oriented markets, such as childcare services, education, housing, and leisure activities, need to adapt their offerings to meet evolving needs and preferences.

◆ Family demographics

Geographic Distribution and Urbanization Trends

Geographic demographics encompass spatial distributions, urban-rural divides, population density, and migration patterns within and across regions, reflecting urbanization trends, infrastructure development, and regional disparities. Urbanization

◆ Geographic Demographics and Migration Patterns

is a global megatrend characterized by the rapid growth of cities and metropolitan areas, driven by rural-to-urban migration, industrialization, and economic opportunities. Urban populations represent hubs of economic activity, innovation, and cultural diversity, attracting businesses, talent, and investment. Urbanization trends influence consumption patterns, transportation needs, and environmental sustainability challenges, prompting businesses to develop urban-centric strategies, smart city solutions, and sustainable mobility solutions. Rural demographics present unique opportunities and challenges, particularly in sectors such as agriculture, agribusiness, and rural development. Companies that tailor products, services, and distribution channels to rural markets can unlock growth potential and address unmet needs in underserved communities. Migration patterns, whether internal or international, shape demographic dynamics, cultural landscapes, and labor market dynamics. Understanding migration trends, patterns, and drivers is essential for businesses operating in diverse and multicultural environments, as they navigate talent acquisition, customer segmentation, and market expansion strategies. Demographic elements of the macroenvironment encompass a wide array of factors that shape societal, economic, and political landscapes, influencing businesses, governments, and communities. From age structure and gender composition to ethnicity, income distribution, education levels, family dynamics, and geographic distribution, demographic trends provide valuable insights into consumer behaviors, labor market dynamics, market opportunities, and societal challenges. Businesses that embrace demographic diversity, tailor products and services to diverse consumer segments, and adapt to evolving demographic trends can gain a competitive edge, foster innovation, and contribute to sustainable growth and prosperity in an increasingly complex and interconnected world.

◆ Social & Cultural Impact on Business

1.4.2 Socio - Cultural Environment:

It involves social values and culture that play a significant role in the effective functioning of any firm. It means whenever there is any change in the social environment, it can have a straight or unintentional effect on the business. The term culture includes traditions, several behavior patterns, values and even critical facts. Some of the social and cultural factors affecting business productivity include religion and beliefs, different lifestyles adopted by people, social classes, the growth rate of population, life expectancy rates and many more.

1.4.3 Technological Factors

Technology is not limited to the IT sector alone. It involves the manufacturing process, products, advanced techniques and

◆ Impact of Technology

many more. Some of the significant and most common macro environment factors related to technology include automation, engine performance and efficiency, wireless charging, internet connectivity and the like. The technology factors are important and can have a significant impact on how well your business is running. It figures out even the most basic factors such as what kind of maintenance trolley is used to preserve your tools and equipment as long as possible.

Some of the technology factors that affect business include:

- ◆ Internet Connectivity
- ◆ 3-D Technology
- ◆ Automation
- ◆ Wireless Charging
- ◆ Security-related to Cryptography
- ◆ Speed or power of computer calculation
- ◆ Engine Performance and Efficiency

1.4.4 Ecology and Physical Environment

Ecology and physical environment play an immense role when determining the success of any firm. For instance, global warming, a revolutionary change in the physical environment, has started affecting the rainfall in different areas. As a result, it impacts the crops. This can cause a scarcity in the production of raw materials like cotton. So, whether it is topographical elements, climate changes, weather conditions or any other ecological factor, they are crucial in the macro business environment.

◆ Environmental Impact on Business

1.4.5 Political and Legal Factors

The market flourishes according to the political and legal environment in different areas. This implies that every business needs to be updated with such forces globally to be able to make the right decisions. The general legal factors include:

- ◆ Copyright Law
- ◆ Employment Law
- ◆ Discrimination Law
- ◆ Fraud Law
- ◆ Health and Safety Law
- ◆ Import and Export Law

Summarised Overview

Political forces significantly shape business landscapes through regulations and policies, demanding adaptability and strategic navigation for organisations to thrive. Economic elements wield a profound influence on business viability, requiring astute financial management and resilience in the face of market fluctuations. Socio-cultural factors play a pivotal role in shaping consumer behaviour and market trends, necessitating businesses to align strategies with evolving social values and preferences. Rapid technological advancements demand continuous adaptation, positioning innovation as a cornerstone for sustained competitiveness in modern markets. Legal factors, encompassing regulatory frameworks, underscore the importance of compliance and ethical business practices, guiding organisations to navigate legal complexities responsibly. Embracing ecological factors is no longer a choice but a necessity, as sustainability becomes integral to corporate responsibility, urging businesses to prioritise environmental stewardship in their operations.

Self-Assessment Question

1. Bring out the advantages and disadvantages of macro environment.
2. How do political factors affect framing strategy?
3. Why is macro analysis important?
4. Illustrate with an example macroeconomic factors affecting strategy formulation.
5. How do political forces impact businesses, and how can organisations navigate regulatory challenges to ensure sustained success?
6. In what ways do economic elements, such as inflation and GDP growth, influence the strategies and financial performance of businesses?
7. How do socio-cultural factors shape consumer behaviour, and what role do these factors play in determining market trends?
8. How can businesses effectively adapt to rapid technological advancements to stay competitive in dynamic markets?
9. What legal factors should organisations consider when developing and implementing business strategies, and how do these factors affect day-to-day operations?
10. How do socio-cultural shifts, such as changing demographics and lifestyle preferences, impact businesses and their marketing strategies?
11. In what ways can businesses proactively address ecological factors to integrate sustainability into their operations and corporate responsibility initiatives?

12. How do political, economic, socio-cultural, technological, legal and ecological factors collectively influence the overall business environment, and what strategies can organisations employ to navigate these multifaceted influences?

Assignments

1. Choose a specific industry or market segment and conduct a demographic analysis of its target audience.
2. Explore demographic trends such as age, gender, income level, education, and ethnicity.
3. Analyze how demographic shifts impact consumer behavior and market demand, and propose marketing strategies based on the findings.
4. Analyze the macroeconomic factors affecting business performance and market dynamics.
5. Assess indicators such as GDP growth, inflation, unemployment, interest rates, and currency exchange rates.
6. Discuss the implications of economic fluctuations on business strategies, investment decisions, and consumer behavior

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Unit 5

Industry Analysis

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ develop a sound business plan to ensure the survival of their chosen firm within its competitive environment.
- ◆ determine the opportunities and threats that exist for firms within a competitive environment.
- ◆ get an awareness on the strengths and weaknesses of a firm and to determine the core competence that can be built on to establish a competitive advantage.

Background

Industry analysis is a critical component of strategic management, aiming to evaluate the competitive landscape and external factors that impact an industry's attractiveness and profitability. Michael Porter's industry analysis framework, widely acknowledged in strategic management, emphasises the five competitive forces: the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products and intensity of competitive rivalry. This model provides a systematic approach for understanding the forces that shape competition within an industry.

Environmental Threats and Opportunities Profile (ETOP) is an analytical tool used to assess external factors affecting an organisation, including political, economic, social, technological and ecological factors. ETOP aids in identifying potential opportunities and threats that can impact an organisation's strategic decisions and overall performance. SWOT analysis, an acronym for Strengths, Weaknesses, Opportunities, and Threats, is a comprehensive strategic planning tool. It evaluates internal factors (strengths and weaknesses) and external factors (opportunities and threats) to provide a holistic understanding of an organisation's current position and potential avenues for growth or improvement. The TOWS matrix, a strategic planning tool derived from SWOT analysis, facilitates the formulation of strategies by pairing internal strengths and weaknesses with external opportunities and threats. It guides organisations in identifying actionable strategies that leverage strengths, address weaknesses, capitalize on opportunities and mitigate threats.



Keywords

ETOP, SWOT ,TOWS matrix.

Discussion

1.5.1 Tools of Industry Analysis

Industry analysis, for an entrepreneur or a company, is a method that helps to understand a company's position relative to other participants in the industry. It helps them to identify both the opportunities and threats coming their way and gives them a strong idea of the present and future scenario of the industry. The key to surviving in this ever-changing business environment is to understand the differences between yourself and your competitors in the industry and use it to your full advantage. Industry analysis can assess demand and supply and technological changes. It can also find external factors that influence the competition. You are able to better forecast your growth rate and plan for evolving industry dynamics. The result is the best possible strategy to increase your market power.

◆ Industry trends

1.5.2 Michael Porter's Industry Analysis

Every person in business usually does a lot of research and makes a lot of plans before starting a business. One of the most important among such aspects is to conduct an industry analysis. It can provide the entrepreneur with an idea regarding the growth of his products or services and the amount of competition he will face from others. Industry analysis enables a company to develop a competitive strategy that best defends against the competitive forces or influences them in its favor. The key to developing a competitive strategy is to understand the sources of the competitive forces. Porter's Five Forces Analysis is one such tool which can be used to evaluate the five important factors regarding the growth of the industry. It helps to get to know about the environment surrounding the industry and the necessary steps to be taken to get success in this market.

◆ Competitive Advantage Through Industry Analysis

By developing an understanding of these competitive forces, the company can:

- ◆ Highlight the company's critical strengths and weaknesses
- ◆ Animate its position in the industry

- ◆ Clarify areas where strategic changes will result in the greatest payoffs
- ◆ Emphasize areas where industry trends indicate the greatest significance as either opportunities or threats

The primary purpose of the Five Forces is to determine the attractiveness of an industry. However, the analysis also provides a starting point for formulating strategy and understanding the competitive landscape in which a company operates. The tool was created by Harvard Business School professor Michael Porter, to analyse an industry's attractiveness and its potential profitability. The model was published in Michael E. Porter's book, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* in 1980. The Five Forces model is widely used to analyze the industry structure of a company as well as its corporate strategy. Porter identified five undeniable forces that play a part in shaping every market and industry in the world, with some caveats. The five forces are frequently used to measure competition intensity, attractiveness and profitability of an industry or market. Since its publication in 1979, it has become one of the most popular and highly regarded business strategy tools.

◆ Industry Attractiveness & Competitive Landscape

1.5.3 Porter's Five Forces Analysis

According to Porter, there are five forces that represent the key sources of competitive pressure within an industry. It is important to have firm knowledge regarding the industry before making investments and Porter's 5 Forces is the most effective tool for this purpose. The five forces model plays an important role in identifying and analysing the primary five competitors in any industry and provides a clear picture regarding the strengths and the weaknesses of the industry.

They are:

1. Power of Supplier.
2. Power of Buyer.
3. Competitive Rivalry.
4. Threat of Substitution.
5. Threat of New Entry.

1. Power of Supplier

It is the power which lies in the hands of suppliers to increase or decrease the prices of certain commodities. It depends on many factors like the number of suppliers present in the market, the quality of the products, if they stand out from

◆ Supplier Bargaining Power



the quality of other suppliers etc. If the number of suppliers in that particular sector is less, the power of the suppliers tends to increase. Then the entrepreneur has to take into account the idea of alternative suppliers, but that may be difficult due to budget constraints.

2. Power of Buyer

Buyers love to bargain and are more often successful in reducing the prices of products in the market. It also depends on many factors like the number of buyers, size of order, the demand for new products among buyers, prices of other alternative products and quality of the products. If the number of buyers is less, they have more control over the prices.

◆ Buyer Bargaining Power

3. Competition Rivalry

It is one of the most important factors in the Porter analysis. In the industry market, the number of competitors, as well as their potential, has a major impact. If a newly launched product has a lot of competition, it may be a problem as the buyers will have a lot of options for purchasing. But this is not the case if there are fewer options in the market.

◆ Competitive

To get the upper hand in a competitive market, a firm opts for several methods to increase their profit:

- ◆ Changing the prices according to the competition
- ◆ Improving the quality of the products to attract more buyers
- ◆ Innovatively using channels of distribution to grab a new area
- ◆ Using the relationship with customers to good effect by satisfying their demands

4. Threat of Substitution

Often customers may find an alternative way to fulfil their demands and they no longer have the necessity to buy these products or services. This can prove to be a major threat to the company. The more the number of substitute products available in the market, the lesser is the demand for the products. The threat of getting substituted can not only causes an impact on the prices of the products but can also raise the question of sustainability in some cases.

◆ Alternatives

5. Threat of New Entry

Not only is there the threat of the direct rivals, but there is also the threat of new firms entering into the picture and causing a major craze in the market. This can harm the sales of products and weaken your position in the market. Free entry markets tend

◆ Threats of new entrants

to suffer more in such situations and thus the need for a few entry barriers is a necessity to reduce competition with new firms.



Figure 1.5.1 Porter's Five Forces Model

1.5.3 Advantages of Porter's Five Forces Model

The Five Forces tool is a simple but powerful tool for understanding where power lies in a given business situation. This is important, as it helps you understand both the strength of your current competitive position and the strength of the position you are looking to move into.

◆ Helps in Gauging Competition

One of the advantages of Porter's model is that it helps the company in gauging the competition present in the industry in which company is operating because if the company is operating in that industry in which competition is low, it can have pricing power which results in the company earning good profits. In simple words, the pricing power of the company is inversely proportional to the competition present in the industry; the higher the competition, the lower the pricing power and vice versa.

◆ Pricing Power & Industry Competition

◆ Helpful in Planning

Industries which require huge investments are tricky because once the company has made investments, it cannot back

◆ Investment Decisions

off. By doing Porter analysis, the company can identify those industries where threat of substitutes and threat of new entrants are less because if new players can easily enter into the industry, it will lead to competition which will not be beneficial for the company. Besides, substitutes for industry products can also lower the pricing power of industry as a whole. Hence, when the company makes plans to enter into any industry, by doing Porter's five forces analysis it can eliminate those industries which have close substitutes or where there are fewer entry barriers for new firms entering into the industry.

◆ Strong Negotiation Position

◆ **Dealing with Buyers and Suppliers**

When a company is operating where bargaining power of suppliers and buyers is less, the company has a dual advantage. On the one side company can get raw materials for production at reasonable rates because when suppliers are more they will compete among themselves to sell their products to the company resulting in company getting good deals from suppliers. On the other side, when bargaining power of buyers is weak which is the case when products of the company are inelastic, the company can be the price maker and not the price taker.

◆ Strengths and Threats

◆ **Showcase where the Strengths and Threats Exist**

Porter's five forces provide the output for understanding the supplier and buyer forces with risk of new entrants and substitute products. This will enable the senior management to find out where the company's strengths are placed and where the threats exist. Management will be able to take precautionary actions for the threats while enhancing the strengths more.

◆ Power of Entities

◆ **Identify the Entities Holding the Power**

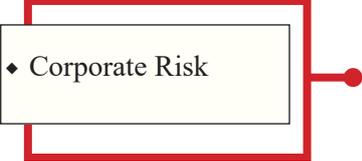
There are three entities to which Porter's Five Forces are related. Those are suppliers, buyers (consumers) and competitors. This analysis will provide insights into which entities hold more power and less power. This will enable the companies to make decisions on the best strategies to handle these entities.

◆ Opportunities to Expansion

◆ **Display Opportunities to Expand the Business**

Porter's five forces provide the power of suppliers and buyers in the industry. This will help the company make decisions on whether to proceed with vertical integration to acquire suppliers and buyers to reduce their power and expand the business. The business can conduct the forward integration to acquire their consumer side of the value chain, and / or backward integration to acquire their supplier side of the value chain, according to the information provided by the five forces. This will also help the company on having insights into the competitive rivalry, where

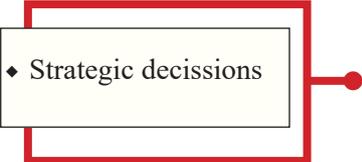
the company can seek the possibility of conducting horizontal integration to acquire a competitor to reduce the risk of competition.



◆ Corporate Risk

◆ **Assist to Understand the Corporate Risk**

Porter's five forces will provide valuable insights into the power of suppliers, power of consumers and power of competitors. All this information will help the company understand the corporate risk of the business, and make responses to those risks.



◆ Strategic decisions

◆ **Helpful in Making Corporate Strategy and Vision**

The corporate strategy helps the company to make strategic decisions by looking across all aspects of the business to determine how best to create the most value. Porter's five forces will provide valuable information for this to make the corporate strategy more accurate by considering the impact of the external forces.

1.5.4 Disadvantages of Porter's Five Forces Model

Porter's five forces have several weaknesses. Some of them are:



◆ Other Factors

◆ **Ignore other Factors**

The biggest disadvantage of porter five forces model is that it takes into account only the above factors and it ignores other factors which may have a bearing on the environment in which the company is operating. Suppose a company is operating in an industry where all the five factors that are barriers to entry, company products are inelastic, bargaining power of suppliers is weak and there are no substitutes and no competition. If the government introduces taxes on industry products or makes some amendments regarding products of the industry, the Porter's five forces analysis will be of no use.

◆ **Unavailability of Quantitative Dimensions**

There is no built-in method to conduct the quantitative analysis of the external factors. This tool does not provide a quantitative idea of the depth and impact of the five forces described. There is also no quantitative idea about which forces out of the five are the most important and the least important.

◆ **Impractical to use on Large Companies**

Practically it is difficult to use this analytical framework for a company that has a large product portfolio and operates in different market segments. This framework is meant to analyze a company in a single industry.

◆ Starting Point for Industry Analysis

◆ **Can Be Used as Starting Point for the Analysis**

Porter's five forces is a simple tool that contains five external factors which can be beneficial or else be a drawback for a company. This can be used only as a tool for the starting point of a deep investigation. This framework provides the initial understanding of the company's competitive position in an industry. This framework cannot alone provide a detailed investigation of the company.

◆ **Not Applicable for all Industries Universally**

Porter's five forces practically cannot be used for some industries. As an example, not-for-profit companies cannot use this method for the analysis. Companies conducting activities like R&D also will not have much benefit from this.

◆ **Does not Consider Business Risk Factors**

External business risk factors like foreign exchange instabilities, natural catastrophes, methods of financing, legal constraints, fast technological evolutions, fluctuations in interest rates etc. are not considered for this framework. These are major factors in determining the business risk of the company.

1.5.6 Environmental Threat and Opportunity Profile

◆ Environmental Threat & Opportunity Analysis

There are many techniques available for environmental appraisal (assessment); one such technique suggested by Glueck is ETOP analysis (environmental threat and opportunity profile). The preparation of ETOP involves dividing the environment into different sectors and then analyzing the impact of each sector on the organisation. ETOP provides a clear picture to the strategists about which sectors and the different factors in each sector have a favorable impact on the organisation. By the means of an ETOP, the organisation knows where it stands with respect to its environment. Obviously, such an understanding can be of a great help to an organisation in formulating strategies to take advantage of the opportunities and counter the threats in its environment. ETOP is a device that considers environmental information and determines the relative impact of threats and opportunities for the systematic evaluation of environmental scanning. ETOP is an environmental analysis resulting in a mass of information expectations. Structuring of environmental issues is necessary to make them meaningful and strategically related to forces in the environment. They deal with events, trends, issues and formulations. In short, it is a technique to structure environmental issues. It is the process by which organisations monitor their relevant environment to identify opportunities and threats affecting their business for the purpose of taking strategic decisions.

ETOP Preparation:

The preparation of ETOP involves:

- ◆ Dividing the environment into different sectors such as economical, market, social, international, legal, technological, political, ecological etc.
- ◆ Analyzing the impact of each sector on the organisation
- ◆ Sub-dividing each environmental sector into sub factors
- ◆ Impact of each sub-sector on organisation in the form of a statement

ETOP- Profile

ETOP analysis provides information about environment threats and opportunities and their impact on strategic opportunities for the company.

The profile contains mainly three issues; they are

1] Forecasting

Forecasting means predicting the future events and analysing their impact on present plans. Business organisations analyse the environment by applying various techniques to forecast government action to formulate business plans and strategies.

2] Verbal Written information

Verbal information is collected by listening and written information is collected by reading articles, journals, newspaper, newsletters etc. Common sources of information are radio, television, workforce and outsiders. It informs changes in the environment and prepares business organisations to incorporate them in their business plans and strategies.

3] Management Information System [MIS]

It is a formal method of making available to management the accurate and timely information necessary to facilitate the decision making proceeds and enable the organisation planning, control and operational functions to be carried out effectively. It helps in making decisions based on future environment.

1.5.8 Swot Analysis

A scan of the internal & external environment is an important part of strategic planning process. Environmental factors internal to the firm usually can be classified as strengths [S] or weakness [W] and those external to the firm can be classified as opportunities [O] or threats [T]. Such analysis of the strategic environment is referred to as a SWOT analysis. It involves the

◆ Predicting

◆ written information

◆ Accurate and timely information

◆ Internal & External Factors

◆ Strategic planning

collection and portrayal of information about internal and external factors which have, or may be have, an impact on business.

SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a business. It involves specifying the objective of the business and identifying the internal and external factors that are favorable and unfavorable to achieve that objective.

The aim of any SWOT analysis is to identify the key internal and external factors that are important for achieving the objective of the organisation or individual. SWOT analysis groups key pieces of information into two main categories:

Internal factors - The 'strengths' and 'weaknesses' internal to the organisation.

External factors - The 'opportunities' and 'threats' presented by the external environment.

The SWOT analysis has been a fundamental component in business planning; it is an effective business tool for:

- ◆ Providing a systematic way of identifying internal and external factors affecting business
- ◆ Giving companies insight as to where to focus growth efforts
- ◆ Presenting businesses a solid foundation on which to develop new business strategies
- ◆ Helping companies look outward at their competitors and customers
- ◆ Allowing organisations to determine whether new projects are viable and the pros and cons of implementing them

An overview of the four factors (Strengths, Weaknesses, Opportunities and Threats) is given below-

1. Strengths

Strengths are the qualities that enable us to accomplish the organisation's mission. These are the basis on which continued success can be made and continued / sustained. Strengths can be either tangible or intangible. These are what you are well versed in or what you have expertise in, the traits and qualities your employees possess (individually and as a team) and the distinctures that give your organisation its consistency. Strengths are the beneficial aspects of the organisation or the capabilities of an organisation, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty. Examples of organisational strengths

◆ Strengths -the beneficial aspects

are huge financial resources, broad product line, lack of debt, committed employees etc.

2. Weaknesses

Weaknesses are the limitations that prevent us from accomplishing our mission and achieving our full potential. These weaknesses deteriorate influences on the organisational success and growth. Weaknesses are the factors which do not meet the standards we feel they should meet.

Weaknesses in an organisation may be depreciating machinery, insufficient research and development facilities, narrow product range, poor decision making etc. Weaknesses are controllable. They must be minimized and eliminated. For instance - to overcome obsolete machinery, new machinery can be purchased. Other examples of organisational weaknesses are huge debts, high employee turnover, complex decision making process, narrow product range, large wastage of raw materials etc.

3. Opportunities

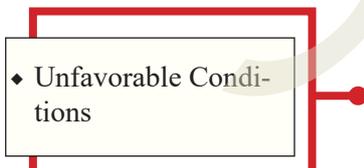
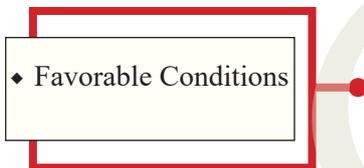
Opportunities are presented by the environment within which our organisation operates. These arise when an organisation can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable. Organisations can gain competitive advantage by making use of opportunities. Organisation should be careful and should recognize the opportunities and grasp them whenever they arise. Selecting the targets that will best serve the clients while getting desired results is a difficult task. Opportunities may arise from market, competition, industry / government and technology. Increasing demand for telecommunications accompanied by deregulation is a great opportunity for new firms to enter telecom sector and compete with existing firms for revenue.

4. Threats

Threats arise when conditions in external environment jeopardize the reliability and profitability of the organisation's business. They compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, stability and survival can be at stake.

1.5.9 Advantages of Swot Analysis

SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weaknesses and protect against internal weaknesses and external threats. They also keep a watch on their overall busi-



ness environment and recognize and exploit new opportunities faster than its competitors.

SWOT Analysis helps in strategic planning in the following manner:

- ◆ It is a source of information for strategic planning.
- ◆ Builds organisation's strengths.
- ◆ Reverse its weaknesses.
- ◆ Maximize its response to opportunities.
- ◆ Overcome organisation's threats.
- ◆ It helps in identifying core competencies of the firm.
- ◆ It helps in setting of objectives for strategic planning.
- ◆ It helps in knowing the past, present and future so that by using past and current data, future plans can be chalked out.

SWOT Analysis provides information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates.

1.5.10 Limitations of Swot Analysis

SWOT Analysis is not free from limitations. It may cause organisations to view circumstances as very simple because of which the organisations might overlook certain key strategic contact which may occur. Moreover, categorizing aspects as strengths, weaknesses, opportunities and threats might be very subjective as there is great degree of uncertainty in the market. SWOT Analysis does stress upon the significance of these four aspects, but it does not tell how an organisation can identify these aspects for itself.

There are certain limitations of SWOT Analysis which are not in the control of the management. These include

- a. Price increase;
- b. Inputs / raw materials;
- c. Government legislation;
- d. Economic environment;
- e. Searching a new market for the product which does not have overseas market due to import restrictions etc.

Internal limitations may include

- a. Insufficient research and development facilities;
- b. Faulty products due to poor quality control;
- c. Poor industrial relations;

d. Lack of skilled and efficient labour etc.

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

1.5.11 Tows Matrix

TOWS matrix can be defined as a framework to create, compare, decide and access business strategies. It stands for Threats, Opportunities, Weaknesses and Strengths. It examines a business from an approach that references marketing and administration. TOWS Analysis is an extension of the classic analytics tool, SWOT Analysis. A TOWS analysis is very similar to SWOT; however there is a key difference between the two, other than a reshuffling of a few letters. While SWOT analysis, puts the emphasis on the internal environment (strengths and weaknesses), TOWS forces you to look at your external environment first (threats and opportunities).

◆ External Focus

The main purpose of a TOWS Analysis is to:

- ◆ Reduce threats
- ◆ Take advantage of opportunities
- ◆ Exploit strengths
- ◆ Remove weaknesses

1.5.12 Tows Matrix General Strategic Options

There are four categories of strategy derived from a TOWS matrix.

1. **Strengths and Opportunities (SO)** - These are known as maxi-maxi strategies as they have the highest potential. Strategies of this nature look to use strength to take advantage of an opportunity.
2. **Weaknesses and Threats (WT)** - These are known as mini-mini strategies as they have the least potential. They try to minimize your susceptibility to threats and weaknesses. Strategies of this nature look at how you can minimize weaknesses and avoid threats.
3. **Strengths and Threats (ST)** - These are known as maxi-mini strategies. Strategies of this nature look at how you can maximize strength to minimize a threat.
4. **Weaknesses and Opportunities (WO)** - These are known as mini-maxi strategies. Strategies of this nature look at



how you can use an opportunity to overcome a weakness.

To use the model, there are four steps:

1. Conduct your SWOT analysis.
2. Take the results from your SWOT analysis and construct a TOWS matrix.
3. Analyze your strategic options within your TOWS matrix. Pick one or two promising strategies for each box.
4. Rank your options by priority. Priority should be based on a combination of the potential benefit of the strategy and how easy it is to execute that strategy. So, easy to implement strategies delivering significant benefits should be implemented first.

Summarised Overview

Industry analysis serves as a vital compass for organisations, enabling them to navigate the competitive landscape by assessing external forces and opportunities, ultimately guiding strategic decision making for sustainable success. Michael Porter's industry analysis framework, with its focus on competitive forces, provides a structured approach for understanding industry dynamics, empowering businesses to craft effective strategies that withstand market pressures and foster long term growth. Environmental Threats and Opportunities Profile (ETOP) offers a comprehensive outlook on the external factors shaping an organisation's environment, aiding in the identification of potential risks and opportunities crucial for informed strategic planning and adaptation to dynamic market conditions. SWOT analysis, with its systematic examination of internal strengths and weaknesses alongside external opportunities and threats, provides organisations with a holistic perspective, facilitating a nuanced understanding of their current state and the formulation of strategies that align with their goals. Derived from SWOT, the TOWS matrix offers a strategic roadmap by pairing internal attributes with external factors, allowing organisations to convert weaknesses into strengths, address threats proactively, leverage opportunities and build on existing strengths for a rounded strategic approach. In essence, these strategic tools collectively empower organisations to navigate uncertainties, capitalize on strengths, mitigate weaknesses, exploit opportunities and defend against threats, fostering resilience and adaptability in an ever evolving business landscape.

Self-Assessment Question

1. What do you understand by the TOWS method?
2. Explain Porter's model.
3. How does industry analysis contribute to a business's strategic decision-making process, and what key external factors does it help organisations assess?
4. Explain Michael Porter's industry analysis framework, highlighting its five competitive forces, and discuss how it aids in understanding industry dynamics.
5. In what ways does an Environmental Threats and Opportunities Profile (ETOP) analysis assist organisations in evaluating external factors and adapting to changes in their business environment?
6. Can you outline the main components of a SWOT analysis, and how this tool provides insights into an organisation's internal strengths and weaknesses, as well as external opportunities and threats?
7. Provide examples of how organisations can leverage the findings from SWOT analysis to formulate effective strategic plans and enhance their competitive position.
8. What is the TOWS matrix, and how does it differ from a traditional SWOT analysis? How can organisations use the TOWS matrix to develop actionable strategies?
9. Discuss the role of Michael Porter's industry analysis, ETOP, SWOT analysis, and the TOWS matrix in guiding businesses through periods of industry change or economic uncertainty.
10. How can industry analysis tools be adapted and customized for different business sectors, and what considerations should organisations keep in mind when applying these methodologies in diverse industries?

Assignments

1. Conduct an in-depth analysis of Michael Porter's Five Forces framework.
2. Apply the framework to analyze the competitiveness of a chosen industry.
3. Evaluate the strategic implications of the analysis for existing and potential market players.
4. Develop an ETOP analysis for a selected company or industry.
5. Identify and analyze external threats and opportunities arising from factors such



as political, economic, social, technological, legal, and environmental changes.

6. Prioritize key threats and opportunities based on their potential impact on business performance.

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SGOU



02 BLOCK

Organisational Resources And Capabilities

Block Content

Unit - 1 Resources and Capabilities

Unit - 2 Growth Strategies

Unit 1

Resources and Capabilities

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ define Resource and Capabilities.
- ◆ identify different types of organisational resources
- ◆ explain Resource Based View

Background

Understanding the types and nature of resources and capabilities is fundamental to effective strategic management. Resources encompass a wide array, including tangible assets like financial capital and machinery, intangible assets like intellectual property and brand reputation and human capital in the form of skilled employees. Capabilities, on the other hand, refer to an organisation's capacity to deploy its resources strategically, transforming them into competitive advantages. Recognizing the dynamic interplay between different resource types and understanding how they can be combined to create capabilities is essential for sustained competitiveness. Transforming resources into capabilities involves the strategic alignment of organisational assets to achieve specific objectives. This process requires a nuanced understanding of how each resource contributes to the organisation's overall competency and competitive advantage. Identifying and appraising resources and capabilities involve a comprehensive assessment of an organisation's internal strengths and weaknesses, leveraging its strengths and addressing its weaknesses to navigate the competitive landscape effectively. Strategic fit is a crucial concept in strategic management, emphasizing the alignment between an organisation's resources, capabilities and its chosen strategic direction. Achieving strategic fit ensures that the resources and capabilities deployed are tailored to the specific demands of the competitive environment, enhancing the organisation's ability to seize opportunities and mitigate threats effectively. It involves assessing how well an organisation's internal competencies align with external opportunities and threats, providing a foundation for strategic decisions that drive long term success. In essence, the dynamic

interplay between resources, capabilities and strategic fit forms the backbone of effective strategic management, guiding organisations towards sustained competitiveness in today's complex business landscape.

Keywords

Resources, Capabilities, Strategic Fit

Discussions

◆ Resource Management for Success

◆ Resource Value and Strategic Advantage

Organizational resources

Organizational resources encompass tangible and intangible assets critical for achieving goals. Tangible resources include physical assets like equipment and financial reserves, while intangible resources comprise intellectual property, brand reputation, and organizational culture. Human capital, representing employee skills and knowledge, is also vital. Effective management and utilization of these resources are essential for organizational success, competitiveness, and innovation.

Nature of organisational resources

Human capital, representing the skills, knowledge, and expertise of employees, is also a critical organizational resource. These resources are valuable as they enable organizations to create value for stakeholders, achieve strategic objectives, and sustain competitive advantage. They are often rare, difficult to imitate, and non-substitutable, providing a source of uniqueness and differentiation in the marketplace. Effective management of organizational resources involves identifying, developing, and leveraging these assets to capitalize on opportunities, mitigate risks, and adapt to changing market conditions.

Variety

Organizations rely on a diverse range of resources, both tangible and intangible. This includes human resources (employees, skills, knowledge), financial resources (money, equipment), information resources (data, intellectual property), and physical resources (buildings, inventory).

Dynamic

Resources are not static. They can be developed, improved, and even depleted over time. Employees gain skills, technology evolves, and financial situations change.

Interdependence

Resources often interact and influence each other. For example, skilled employees can maximize the value of machinery, while strong financial resources can support employee training.

Strategic Importance

Managing resources effectively is crucial for success. Organizations need to make smart decisions about allocating resources, ensuring they are used efficiently, and adapting to changing needs.

Competitive Advantage

Some resources can be a source of competitive advantage. Unique skills, cutting-edge technology, or strong brand recognition can give an organization an edge over competitors.

Types of organisational resources

Resources within organizations can be broadly categorized into several types based on their nature and function. Understanding these types of resources is essential for effective resource management and strategic decision-making.

1. Tangible Resources

Tangible resources are physical assets that can be touched, seen, and quantified. They include assets such as land, buildings, machinery, equipment, vehicles, and financial reserves. Tangible resources provide the infrastructure and financial backing necessary for organizational operations and growth. They are essential for production, distribution, and delivery of goods and services.

◆ Foundation for Operations

2. Intangible Resources

Intangible resources are non-physical assets that contribute to the value of an organization but cannot be touched or quantified easily. Examples include intellectual property (patents, trademarks, copyrights), brand reputation, organizational culture, and knowledge assets. Intangible resources often provide a source of competitive advantage and differentiation for organizations. They are valuable because they are difficult to imitate or replicate by competitors.

◆ Non-physical assets

3. Human Capital

Human capital refers to the skills, knowledge, experience, and abilities of individuals within an organization. It encompasses factors such as employee talent, expertise, creativity, and leadership capabilities. Human capital is a critical resource for



◆ Abilities of individuals

◆ Funding

◆ Technological Advantage & Innovation

◆ Competitive Advantage Through Business Capabilities

organizational success, as it drives innovation, productivity, and competitive advantage. Investing in employee development, training, and talent management initiatives is essential for leveraging human capital effectively.

4. Financial Resources

Financial resources include the capital, funds, and financial assets that organizations utilize to finance their operations, investments, and growth initiatives. This category encompasses cash reserves, investments, lines of credit, and access to capital markets. Financial resources are essential for funding strategic initiatives, managing cash flow, and ensuring financial stability. Effective financial management involves allocating resources efficiently, minimizing risks, and optimizing returns on investment.

5. Technological Resources

Technological resources include tools, equipment, software, and infrastructure that organizations utilize to develop, produce, and deliver goods and services. These resources enable organizations to leverage technology for competitive advantage, innovation, and operational efficiency. Examples include IT systems, research and development facilities, and production technologies. Embracing technological advancements and investing in cutting-edge technologies are crucial for maintaining competitiveness and driving growth in today's digital economy.

Business capabilities

Business capabilities encompass the collective set of skills, processes, resources, and expertise that enable an organization to perform its core functions and achieve its strategic objectives. These capabilities span various aspects of organizational competence, including operational efficiency, innovation, customer service, and market responsiveness. Operational excellence entails streamlining processes, optimizing resources, and minimizing costs to deliver products or services efficiently. Innovation and adaptability involve the ability to develop new offerings and adapt to changing market dynamics and technological advancements. Effective customer relationship management is essential for understanding customer needs and delivering value-added solutions. Supply chain management ensures the efficient flow of goods, services, and information from suppliers to customers. Marketing and brand management focus on creating and promoting a positive brand image and attracting and retaining customers through effective marketing strategies. Financial management involves prudent allocation of financial

resources, budgeting, forecasting, and risk management. Human resource management encompasses attracting, developing, and retaining talented employees and fostering a culture of collaboration and continuous learning. Collectively, these capabilities empower organizations to compete effectively, drive growth, and achieve sustainable success in today's dynamic business landscape.

Some common types of business capabilities include:

1. **Operational Excellence** - This capability involves efficiently managing processes, resources, and activities to minimize costs, reduce waste, and improve productivity. It encompasses functions such as supply chain management, production efficiency, and quality control.
2. **Innovation and Adaptability** - Innovation capability is the organization's ability to develop new products, services, or processes to meet evolving market demands and technological advancements. Adaptability capability refers to the organization's capacity to quickly respond and adapt to changes in the business environment.
3. **Customer Relationship Management (CRM)** - CRM capability focuses on understanding customer needs, preferences, and behaviors to build and maintain strong relationships. It involves functions such as customer segmentation, personalized marketing, and effective customer service.
4. **Supply Chain Management (SCM)** - SCM capability involves managing the flow of goods, services, and information from suppliers to customers. It includes functions such as procurement, logistics, inventory management, and distribution.
5. **Marketing and Brand Management** - This capability encompasses the organization's ability to create, promote, and manage its brand image effectively. It includes functions such as market research, branding, advertising, and public relations.
6. **Financial Management** - Financial management capability involves effectively managing financial resources, budgeting, forecasting, and risk management. It includes functions such as financial planning, accounting, treasury management, and financial reporting.
7. **Human Resource Management (HRM)** - HRM capability focuses on attracting, developing, and retaining talented employees. It includes functions such as recruitment, training

and development, performance management, and employee relations.

- 8. Technology and Digitalization** - This capability involves leveraging technology and digital tools to improve business processes, enhance customer experiences, and drive innovation. It includes functions such as IT infrastructure management, digital marketing, data analytics, and cybersecurity.

Transforming Resources into Capabilities

Transforming resources into capabilities is a fundamental process in organizational development, enabling firms to leverage their assets effectively to achieve strategic objectives and sustain competitive advantage. This transformation involves converting tangible and intangible resources, such as physical assets, intellectual property, human capital, and organizational culture, into dynamic and value-creating capabilities that drive performance and innovation. This process requires a strategic approach, involving the identification, development, and integration of resources across different functional areas and levels of the organization. The transformation of resources into capabilities begins with the identification and assessment of the organization's existing resources and capabilities. This involves conducting a thorough analysis of the organization's strengths, weaknesses, opportunities, and threats (SWOT analysis) to identify areas of competitive advantage and potential areas for improvement. By understanding the organization's resource base, including its tangible and intangible assets, leaders can identify opportunities to leverage existing resources more effectively or invest in developing new capabilities to address strategic challenges and opportunities. For example, an organization with strong intellectual property rights may invest in developing capabilities in research and development to drive innovation and product differentiation in the marketplace.

Once resources have been identified, the organization must focus on developing and integrating these resources into capabilities that support its strategic objectives. This involves aligning resources with organizational goals, investing in training and development initiatives, and fostering a culture of continuous improvement and learning. For instance, an organization aiming to enhance its customer service capabilities may invest in training programs to improve employee communication skills, implement new technology platforms to streamline customer interactions, and establish feedback mechanisms to monitor and assess service quality. By developing capabilities that are aligned with its strategic priorities and market needs, the orga-

◆ Resource Leveraging for Competitive Advantage

◆ Capability Development for Strategic Advantage

nization can enhance its competitive position, drive growth, and create long-term value for stakeholders. Overall, transforming resources into capabilities is a dynamic and ongoing process that requires strategic vision, leadership commitment, and organizational agility. By leveraging its resources effectively and continuously investing in capability development, an organization can adapt to changing market conditions, innovate, and maintain a sustainable competitive advantage in the long run.

Identifying and Appraising Business Resources and Capabilities

◆ Internal Analysis for Strategic Advantage

Identifying and appraising business resources and capabilities is an essential process in strategic management, providing organizations with insights into their internal strengths and weaknesses, as well as opportunities for leveraging competitive advantages and developing effective strategies for sustainable growth. This process involves evaluating both tangible and intangible assets within the business, along with its ability to utilize these resources effectively to achieve strategic objectives and outperform competitors. Identifying business resources entails a thorough analysis of the organization's internal environment, encompassing various elements such as physical, human, financial, and intangible assets. Tangible resources include physical assets like machinery, equipment, inventory, and financial reserves. These assets are crucial for supporting day-to-day operations, production processes, and financial stability. Intangible resources, on the other hand, comprise assets such as intellectual property, brand reputation, organizational culture, and knowledge capital. These intangible assets often provide a source of sustainable competitive advantage by differentiating the business in the marketplace and enhancing customer loyalty.

◆ Resource & Capability Evaluation

Once resources have been identified, the next step involves appraising these resources to determine their strategic importance, uniqueness, and potential for creating value. Appraising tangible resources typically involves assessing factors such as their market value, depreciation, and contribution to operational efficiency. For instance, the evaluation of machinery and equipment may include considerations such as their age, condition, maintenance costs, and technological obsolescence. Financial resources, meanwhile, are appraised based on liquidity, profitability, solvency, and overall financial health. Intangible resources, on the other hand, are often more complex to appraise due to their intangible nature. However, methods such as brand valuation, intellectual property assessment, and organizational culture audits can provide insights into the strategic significance and competitive advantage of intangible assets. In addition to evaluating individual resources, it is essential to assess the organization's ca-

pabilities - the integrated set of skills, processes, technologies, and resources that enable it to perform its core functions and achieve strategic objectives. Business capabilities encompass various aspects of organizational competence, including operational efficiency, innovation, customer service, and market responsiveness. Identifying and appraising business capabilities involves evaluating the organization's ability to leverage its resources effectively to deliver value to customers, outperform competitors, and adapt to changing market conditions.

Strategic Fit

Strategic fit is a concept integral to effective strategic management, emphasising the alignment between an organisation's internal capabilities and its external environment. Achieving strategic fit involves harmonising internal factors like resources, competencies and organisational culture with external elements such as market conditions, industry dynamics and competitive forces. This alignment ensures that the organisation's strategies are well suited to capitalise on opportunities and navigate challenges in its environment. To assess strategic fit, organisations often employ tools like SWOT analysis to identify internal strengths and weaknesses, as well as external opportunities and threats. Additionally, frameworks like the VRIO model help evaluate whether resources are Valuable, Rare, Inimitable and Organized to provide a competitive advantage.

Strategic fit goes beyond mere coherence; it requires a deep understanding of an organisation's unique capabilities and how they can be leveraged in specific market contexts. It involves making choices that align with the organisation's vision, mission and long-term objectives. The dynamic nature of the business environment necessitates continuous reassessment of strategic fit to adapt to changing circumstances. When an organisation achieves strategic fit, it enhances its competitiveness and resilience. It allows the organisation to capitalize on its core competencies, creating a synergy between internal capabilities and external demands. This alignment facilitates the development of strategies that not only respond to the current environment but also position the organisation for sustained success in the future. In essence, strategic fit is a proactive approach to strategy formulation, ensuring that an organisation's internal strengths are well matched with the ever evolving challenges and opportunities presented by the external business landscape.

◆ Matching Internal & External Factors

◆ Competitive Advantage Through Internal-External Alignment

Summarised Overview

Organisations differ from each other in respect of resources and capabilities. Resources of an organisation may be tangible or intangible. Capabilities represent the business processes and routines directed towards transforming inputs into outputs. Organisations achieve advantage in competition through their resources and capabilities. This is highlighted in the Resource based view, according to which resources and capabilities which correspond to the VRIO framework i.e., Valuable, Rare, Inimitable and Organized to capture value, are capable of providing edge to an organisation in competition. Capabilities are crucial because they determine how organisations use the potential of their resources. Some organisations have an ability to create new capabilities as per the needs of the business environment. This is termed as dynamic capability, which adds to the effectiveness of an organisation. Furthermore, to become competitive and maintain it, an organisation is required to ensure optimum utilization of resources at all times. Similarly, scope of benefits from capabilities can be enhanced by replicating the capabilities internally in an organisation. It must be ensured at all times that there is a match between organisation's resources, capabilities and the strategy adopted by an organisation. In view of this, internal resources and capabilities are considered while formulating organisational strategy.

Self-Assessment questions

1. Highlight the difference between Resources & Capabilities with the help of a suitable example.
2. Write a summary of the Resource Based View.
3. Explain the elements of the VRIO framework.
4. Discuss the relevance of resources & capabilities with regard to formulation of an organisational strategy.
5. Enumerate the different ways in which an organisation can acquire resources and capabilities.
6. What are the key types of resources that organisations can leverage for strategic advantage, and how does the nature of these resources vary between tangible and intangible assets?
7. How does the process of transforming resources into capabilities contribute to an organisation's competitive advantage, and what role does strategic alignment play in this transformation?
8. In the context of identifying and appraising resources and capabilities, how can or-

organisations conduct a comprehensive assessment of their internal strengths and weaknesses?

9. What are the critical considerations when evaluating the strategic fit of resources and capabilities within an organisation, and how does this alignment contribute to long term success?
10. Can you provide examples of how organisations effectively achieve strategic fit by aligning their resources and capabilities with external opportunities and threats in the competitive landscape?

Assignments

1. Develop a strategic fit alignment plan for a chosen organization.
2. Identify areas where the organization's resources and capabilities are misaligned with its strategic goals and market opportunities.
3. Propose initiatives and action steps to realign resources and capabilities to achieve better strategic fit and competitive advantage.
4. Conduct a value chain analysis for a chosen organization to identify its primary and support activities.
5. Assess the role of each activity in creating value for customers and contributing to the organization's competitive advantage.
6. Propose strategies for optimizing the value chain to enhance operational efficiency and customer value proposition.

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Unit 2

Growth Strategies

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ explain the concepts of Comparative Advantage, Competitive Advantage and Core Competence.
- ◆ get an answer on the significance of Comparative Advantage for the success of an organisation.
- ◆ illustrate the ways in which Competitive Advantage can be achieved.

Background

Successful organisations formulate their business strategies by taking into consideration the factors which enable them to compete favorably in the market. Such factors can originate on account of abundance of natural resources, ability to produce in large quantities or at significantly low prices, availability of state of the art technology or easy access to markets. Such advantage may also arise due to unique capabilities possessed by an organisation, hidden expertise of an organisation to combine technologies and utilize factors of production in distinct ways to come up with innovative products and services to the customers. Some organisations produce goods which are of good quality and offer them to a specific set of customers at a price which is lower than the price charged by competitors. Other organisations offer products which are unique in terms of product features, quality, functionality, customer service, product customization etc. Such aspects cannot be matched by the competitors and therefore the organisation is able to charge higher and still compete successfully. Furthermore, certain organisations develop a unique set of skills which enable them to use their resources and capabilities in a very effective manner, which not only generates better performance and profitability but also elevates an organisation in terms of its competitiveness.

Keywords

Comparative Advantage, Competitive Advantage, Core Competence, Cost Leadership, Differentiation, Focus Strategy.

Discussion

Organisations compete in the market on the basis of critical attributes which accrue to an organisation in multiple ways and offer distinct advantages. Such advantages may be classified into Comparative Advantages and Competitive Advantage. In a general sense, comparative advantage is vested in an organisation's ability to produce a product or provide a service more efficiently than its competitors, which leads to greater profit margins whereas competitive advantage refers to the factors or attributes that allow a given company to produce more affordable or higher quality products or services than its rivals. In simple words, comparative advantage offers benefit only in terms of cost while competitive advantage implies benefit in terms of cost, quality, functionality and uniqueness of product or service. Competitive advantage is at the core of an organisation's performance in markets where there is heavy competition. In a highly competitive business environment, organisations prove their mettle on the basis of their distinguished attribute termed as Core Competence. A core competency refers to the unique emulsion of knowledge, skills and resources that constitute its distinctive strength. It is a source of a sustained competitive advantage for an organisation which enables it to excel in competition. The factors discussed above form the basis of strategy formulation of an organisation. They are an integral part of a business strategy of an organisation and are the critical factors for its survival and growth.

◆ Organisation of Advantages

2.2.1 Comparative Advantage

A comparative advantage refers to the ability of an organisation to generate products or services at a lower opportunity cost than other players in the industry. It means that a company is more efficient at supplying goods / services as they use equal or less resources, but produce a higher volume of products. Comparative advantage is a relative term and not an absolute one. It represents the ability of a company (or a country) to manufacture certain products at less than the opportunity cost for others. In the context of a country, it often occurs when a

◆ Lower Opportunity Cost

◆ Efficiency & Lower Prices

◆ Sustained Superior Performance

◆ Low-Cost Leader Strategy

country produces something at a lower cost than you could produce it in another country. A country (or an organisation) gets a comparative advantage if the economies of scale or factors such as abundance of natural or human resources allow it to produce a product or provide services more efficiently than others.

Apart from economies of scale, efficient internal systems and geographic location can also create a comparative advantage. It is to be noted that advantage does not imply a better product or service, it only shows the firm can offer a product or service of the same value at a lower price. For example, a firm that manufactures a product in China may have lower labour costs than a company that manufactures it in the U.S.; so, it can offer the same product at a lower price. In other words, a firm's ability to produce goods or services more efficiently than its competitors, which leads to greater profit margins, creates a comparative advantage.

2.2.2 Competitive Advantage

A competitive advantage refers to an attribute which enables an organisation to perform better than its competitors. This facilitates an organisation to earn superior margins compared to its competition and it also generates better value for the company and its shareholders. Competitive advantage can be in the form of higher profit margin or return on assets, valuable resource such as brand reputation or unique technical capability. An organisation must have at least one competitive advantage to successfully compete in the market. Furthermore, a competitive advantage must be difficult to emulate; if it can be easily acquired or emulated by competitors, it is not considered a competitive advantage.

The two basic types of competitive advantage combined with the scope of activities in terms of entire market or a segment of a market lead to three generic strategies for achieving above average performance in an industry; viz. cost leadership, differentiation, and focus. The focus strategy has two variants namely cost focus and differentiation focus.

The strategy scenario can be represented as under:

2.2.3 Cost Leadership Strategy

Under Cost leadership strategy an organisation positions itself as the lowest cost manufacturer or provider of a particular product or commodity in a market. Cost Leadership is vested in reducing the cost of operation and generating the lowest cost products or services with a view to outperforming the competitors and gaining market share. It requires the constant pursuit of cost minimization techniques such as achieving economies of scale,



sourcing cheaper materials, use of efficient technology etc. In order to adopt this strategy, an organisation has to produce goods which are of acceptable quality and specific to a set of customers at a price which is much lower or more competitive than other companies producing the same product.

Cost leadership achieves a competitive advantage by lowering the cost of operation in the industry. A cost leader focuses on increasing efficiency and reducing production costs below the industry average which can enable the company to target higher market share.

◆ Efficiency for Market Share

2.2.4 Differentiation Strategy

Differentiation strategy is vested in offering unique products or services that differ significantly from those of competitors. By doing so, an organisation can convince customers to accept higher prices, which in turn results in higher margins. Differentiation is a product-centric strategy where the product is made unique and different from its competitors. This can be done by delivering high quality products or services to customers or innovating products or services. Differentiation can be offered in terms of product features, quality, customer service, product customization etc. Apple Inc. has successfully deployed the differentiation strategy; it has captured the market through its unique and highly innovative products. The company's products have always been designed to be ahead of competitors. Despite high pricing, Apple has succeeded in creating demand for its products.

◆ Unique Value Proposition

Differentiation strategy requires that an organisation continuously invests in enhancing its products and systems so that it is able to maintain an edge over its rivals in respect of the products or services offered to customers. To ensure success of the differentiation strategy an organisation must have a devoted team of product designers and marketing personnel, as well as high quality products and services. It must also be able to commit heavy investments in branding, so that the targeted customers will recognize the products that the company has developed for them. Differentiation strategy focuses on product or service uniqueness in ways that are valued by buyers. If buyers are willing to pay for these unique features and the firm's costs are under control, the price premium will lead to higher profitability. Sound understanding of the buyer needs is a key factor in the success of the differentiation strategy. A differentiator needs to know what buyers value, deliver that particular bundle of attributes and charge accordingly. A successful differentiation strategy reduces the close rivalry witnessed in price based competition. If suppliers raise prices, loyal customers who are

◆ Sustainable Competitive Advantage Through Differentiation

◆ Niche Market Targeting

not price conscious are more likely to accept the higher price for the differentiated product or service. Furthermore, customer loyalty also acts as a barrier to a new organisation entering the business and posing a hurdle for the potential substitute products or services that emerge from time to time.

2.2.5 Focus Strategy

The generic strategy of focus targets a chosen segment of a market instead of targeting the entire market (Broad Target). A segment of the market (Narrow Target) is chosen to be served. Business strategy of an organisation is then formulated in accordance with the chosen market segment. In other words, Focus Strategy implies concentrating on a small segment defined in terms of customer segment or geographical territory. It involves concentrating efforts on customers who have unique needs or wants, commonly referred to as a niche market. This level of customer focus allows an organisation to either produce a given product in a lower cost structure or to produce a product or service with unique features or characteristics that meet the needs or wants of the focus market.

Organisations can gain competitive advantage by selecting carefully a segment of the market and serving the needs of that segment better than competitors who target the entire market.

As stated earlier, the focus strategy has two variants:

- a. **Under Cost Focus strategy:** an organisation seeks a cost advantage in its target segment. A cost focus strategy is when businesses attempt to attract customers based on price. Companies who use this strategy aim to offer the lowest price on the market for their goods or service. A cost focus strategy also aims to reduce operational costs within the business as much as possible.
- b. **Under differentiation focus strategy:** an organisation seeks differentiation in its target segment. When an organisation provides its product to the market using the differentiation focus, they select a niche market and provide a unique or a premium product to that market.

2.2.6 Core Competence

Competence is the ability of an organisation to perform a task or achieve certain objectives. Many times the difference in performance among organisations in the same industry or market can be attributed to the difference in their competence levels. But when it comes to achieving competitive advantage, a greater ability referred to as Core Competence is more crucial. Core competence can be described as a unique internal competence

◆ Unique Skill Advantage

which is composed of a bundle of skills and technologies that enables an organisation to provide superior value to customers and thereby provide such an organisation a clear edge over the competitors. Typically, core competency refers to a company's set of skills or experience in some activity, rather than physical or financial assets. A core competence does not refer to a physical asset such as a factory, a distribution channel, brand or patent; however, the ability to leverage these assets to gain a competitive advantage can be termed as core competence. A core competence is related to various aspects of an organisation's business such as expertise in integrating multiple technologies to create new products or services, developing a highly efficient and a cost effective supply chain, devising a highly responsive after sale service system etc. Another relevant aspect of core competence is that it is primarily knowledge based, which is vested in an organisation's intellectual capital rather than tangible assets.

Gap analysis

◆ Identifying the Gaps

Gap analysis is a strategic management tool that plays a crucial role in assessing and improving organisational performance. The process involves three fundamental steps. First, organisations determine their current state by evaluating existing performance metrics, key performance indicators (KPIs), and internal processes. This comprehensive examination provides a clear snapshot of the organisation's current standing. The second step in gap analysis is to define the desired state of performance. This ideal state is often established based on organisational goals, industry standards, or benchmarks set by competitors. Establishing the desired state creates a target that serves as a reference point for improvement and growth. The crux of gap analysis lies in the third step, where organisations identify the gaps between their current and desired states. These gaps represent areas where the organisation falls short of its objectives and where strategic initiatives are needed for improvement. Gap analysis can be applied to various facets of business, including performance, products, markets and skills. Performance gap analysis evaluates the differences between expected and actual performance. In product gap analysis, organisations assess the features and capabilities of their products against customer expectations or market demands. Market gap analysis involves identifying opportunities in the market where customer needs are not adequately met by existing products or services. Skills gap analysis evaluates the disparities between the skills and competencies and organisation currently possesses and those required for future success.

Once the gaps are identified, organisations can formulate

◆ Filling the Gap for Improvement

strategic plans to bridge these differences. This may involve implementing new processes, investing in employee training, adopting new technologies or adjusting overall business strategies. Gap analysis serves as a dynamic tool that guides organisations in systematically identifying, understanding and addressing discrepancies between their current and desired states to achieve continuous improvement and long term success.

Summarised Overview

While formulating business strategies, organisations take into consideration, the factors which enable them to compete favorably in the market. Such factors may include abundance of natural resources, ability to produce in large quantities or at significantly low prices, availability of state of the art technology or easy access to markets and they are sources of distinct advantage for the organisations. Advantages may be classified into Comparative Advantages and Competitive Advantages. Comparative advantage resides in an organisation's ability to produce a product or provide a service more efficiently than its competitors, which leads to greater profit margins, whereas competitive advantage refers to the factors or attributes that allow a given company to produce more affordable or higher quality products or services than its rivals. Competitive advantage is of two types, namely Cost Leadership and Differentiation. Cost leadership implies becoming the lowest cost producer, whereas Differentiation implies that the company's products or services are distinguishable from those of its competitors. Both Cost Leadership and Differentiation strategies target the entire market, whereas when a segment of a market is targeted, Focus Strategy is used. Focus strategy has two variants namely Cost Focus Strategy and Differentiation Focus Strategy. Under Cost Focus strategy an organisation strives for cost advantage in its target segment. Under differentiation focus strategy, an organisation selects a niche market and provide a unique or a premium product to that market. Organisations also excel in competition on the basis of Core Competence. The term core competence refers to an organisation's set of skills or experience in some activity, rather than physical or financial assets which enable it to enhance its competitiveness. It must be borne in mind that core competence is primarily knowledge based, which is vested in an organisation's intellectual capital rather than tangible assets. It can be effectively utilized to create new products and services.

Self-Assessment Question

1. Explain the concept of Comparative Advantage with an appropriate example.
2. Discuss how Cost Leadership Strategy enables an organisation to secure competitive advantage? Cite a suitable example from the industry.
3. Differentiate between Cost Leadership Strategy and Differentiation Strategy.
4. In your opinion, what type of organisations adopt Differentiation strategy?
5. In what ways Core Competency can propel the success of an organisation in a highly competitive industry? Quote a suitable example in support of your answer.
6. How does gap analysis contribute to strategic decision making and what role does it play in identifying performance disparities between current and desired states within an organisation?
7. What distinguishes comparative advantage from competitive advantage and how do these concepts influence an organisation's position in the market?
8. In the context of competitive advantage, can you provide examples of strategies that organisations deploy to gain a superior market position and outperform competitors?
9. What defines core competence in the business context and how can organisations leverage their core competencies to achieve sustained competitive advantage?
10. How can a thorough understanding of gap analysis, comparative advantage, competitive advantage and core competence collectively inform strategic planning and guide organisations towards enhanced market performance?

Assignments

1. Research and analyze different growth strategies employed by organizations, such as market penetration, market development, product development, and diversification.
2. Evaluate the advantages, disadvantages, and applicability of each growth strategy in various industry contexts.
3. Conduct a gap analysis for a chosen organization to identify discrepancies between its current state and desired future state.
4. Analyze the root causes of performance gaps in areas such as market share, profitability, operational efficiency, and customer satisfaction.
5. Develop action plans to close identified gaps and achieve strategic objectives.

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Suggested Reading

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU



03 BLOCK

Strategic Formulation, Implementation, Evaluation and Control

Block Content

- Unit - 1 Strategic Formulation Process
- Unit - 2 Business Level and Corporate Level Strategies



Unit 1

Strategic Formulation Process

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ learn about the meaning and definition of the term “strategic formulation.”
- ◆ know the framework of the process or steps in the strategic formulation
- ◆ know the levels and principles of the strategic formulation.
- ◆ understand the different modes of strategic formulation.
- ◆ learn how different types of strategies operate at different levels of the organisation

Background

The origins of strategic management can be traced back to the 1960s and 1970s when scholars such as Igor Ansoff, Michael Porter and Henry Mintzberg began developing frameworks for analysing and formulating strategies. Ansoff’s matrix, for example, helped organisations evaluate different growth strategies based on their current products and markets. Porter’s five forces framework, on the other hand, helped organisations assess the competitiveness of their industry and identify opportunities for strategic differentiation.

In the 1980s and 1990s, the field of strategic management evolved as scholars began to emphasize the importance of organisational capabilities, knowledge management and learning. The concept of the resource-based view of the firm (RBV), for example, argued that organisations could achieve sustainable competitive advantage by leveraging their unique resources and capabilities. This led to the development of tools such as the SWOT analysis and the balanced scorecard, which helped organisations assess their internal and external environments and align their strategies with their goals.

In the 2000s and 2010s, the field of strategic management continued to evolve as scholars began to incorporate concepts such as sustainability, corporate social responsibility and innovation into their frameworks. The emergence of new technologies, such as artificial intelligence, blockchain, and the Internet of Things, also created new opportunities and challenges for organisations to develop and implement strategic plans.

Today, strategic formulation is a critical component of organisational success. It involves a continuous process of analysis, planning, implementation and evaluation and requires organisations to be proactive, adaptive and innovative in their approach to achieve their goals. With the increasing complexity and uncertainty of the business environment, the ability to formulate and execute effective strategies has become a key differentiator for organisations seeking to achieve long term success.

Keywords

Strategic Formulation, Stability Strategies, Growth strategies, Retrenchment strategies.

Discussion

3.1.1 Introduction

Imagine you are playing a game of chess. You have to make a plan for how you are going to win the game, but you can't just move pieces randomly and hope for the best. You have to think strategically. Strategic formulation is like creating a plan for a game of chess, but instead of just one game, it is a plan for an entire organisation. It is about thinking ahead, analysing your current situation, and coming up with a plan to achieve your goals.

The concept of strategic formulation has evolved over time as businesses and organisations have become more complex. In the past, it was mostly focused on military strategy, but as businesses and governments started to grow, they realized they needed to think strategically too. In the early 20th century, a man named Frederick Winslow Taylor introduced the concept of scientific management, which was all about optimizing efficiency and productivity in the workplace. This led to the development of strategic planning, which involved setting goals, creating action plans and monitoring progress. As time went on, the concept of strategic formulation expanded to include more than just planning. It now includes analysis of internal and external factors, identification of strengths and weaknesses and consideration of potential opportunities and threats. It is about creating a vision for the future and determining how to get there.

◆ Strategic Formulation Evolution

Today, strategic formulation is a vital part of organisational management. Whether it is a business, government agency or non profit organisation, strategic thinking is necessary for success. So, just as in a game of chess, it is important to think ahead and plan strategically if you want to win.

3.1.2 Meaning and Definition of Strategic Formulation

Strategic formulation is the process of creating a plan of action to achieve an organisation's long-term goals and objectives. It involves analysing an organisation's internal and external environments, identifying its strengths and weaknesses and considering potential opportunities and threats. Based on this analysis, a strategy is developed that outlines how the organisation will use its resources and capabilities to achieve its goals. Strategic formulation is an essential process for any organisation that wants to achieve its long-term goals and objectives. It involves creating a plan of action that outlines how the organisation will use its resources and capabilities to achieve its goals. This process helps organisations to focus on the big picture and align all their activities with their overall strategic direction.

◆ Strategic Planning for Long-Term Goals

To begin the process of strategic formulation, an organisation must first analyse its internal and external environments. This involves identifying its strengths and weaknesses, as well as potential opportunities and threats in the external environment. By analysing these factors, the organisation can gain a better understanding of its current position and determine how it can best leverage its strengths and mitigate its weaknesses to achieve its goals. Based on this analysis, the organisation can then develop a strategy that outlines how it will use its resources and capabilities to achieve its goals. The strategy should take into account the organisation's strengths and weaknesses, as well as external opportunities and threats. It should also be specific, measurable, achievable, relevant and time-bound (SMART). Once the strategy has been developed, the organisation must then implement it. This involves allocating resources, developing action plans and monitoring progress. It is important to track progress against the objectives and make adjustments as necessary to ensure that the organisation stays on track.

◆ SWOT Analysis & Strategic Direction

Strategic formulation is a process that helps organisations create a plan of action to achieve their long-term goals and objectives. It involves analysing the organisation's internal and external environments, identifying its strengths and weaknesses and considering potential opportunities and threats. Based on this analysis, a strategy is developed that outlines how the organisation will use its resources and capabilities to achieve its goals.

◆ Focused Action for Long-Term Goals

By following this process, organisations can ensure that they are focused on the right priorities and taking the necessary steps to achieve their strategic objectives.

Here are some definitions of Strategic Formulation:

According to David, Fred R., and Forest R. David, “Strategic formulation is the process of determining appropriate courses of action for achieving organisational objectives and thereby accomplishing organisational purpose.”

According to Johnson, Scholes and Whittington, “Strategic formulation is the process of creating a strategy for the organisation to achieve its objectives and gain competitive advantage.”

According to Robert M. Grant “Strategic formulation is the process of developing a strategy to achieve the objectives of the organisation and to take advantage of opportunities and manage potential threats in its environment.”

According to Charles W. L. Hill and Gareth R. Jones, “Strategic formulation is the process of defining an organisation’s strategy or direction and making decisions on allocating its resources to pursue this strategy.”

3.1.3 Basic Principle of Strategy Formulation

The basic principles of strategic formulation are as follows:

- i. Clear objectives:** The process of strategic formulation begins with establishing clear and specific objectives that align with the organisation’s mission and vision.
- ii. Environmental analysis:** Strategic formulation involves analysing both the internal and external environment of the organisation, including its strengths and weaknesses, opportunities and threats and the competitive landscape.
- iii. Resource allocation:** Effective strategic formulation involves allocating resources in a way that supports the organisation’s objectives and takes advantage of opportunities while mitigating risks.
- iv. Action planning:** Once a strategy has been formulated, an action plan should be developed that outlines the specific steps that need to be taken to achieve the objectives.
- v. Continual review and evaluation:** Strategic formulation is an ongoing process that requires regular review and evaluation to ensure that the strategy remains relevant and effective.
- vi. Flexibility:** Effective strategic formulation requires flexibility and the ability to adapt to changing circumstances.

By following these basic principles, organisations can create and implement effective strategies that help them achieve their objectives and succeed in a constantly evolving business environment.

3.1.4 Modes of Strategic Formulation

It is necessary for strategic managers to assess the mission, objectives and policies of the organisation. Moreover, the top management evaluates the strategic managers based on their management style, values and skills. According to Henry Mintzberg, a corporation's goals and strategies are greatly influenced by the top management's perspective of the world, which ultimately determines the mode to be used in strategy formulation. The Mintzberg's Modes of Strategic formulation are Entrepreneurial mode, Adaptive Mode and Planning Mode. The fourth mode, Logical Incrementalism, was added later by Quinn.

◆ Different modes

3.1.4.1 Entrepreneurial Mode

The entrepreneurial mode of strategic decision-making centres around a single influential individual who prioritises opportunities over problems. The founder's personal vision shapes the direction of the strategy, and it is characterized by bold, impactful decisions with a focus on corporate growth. Amazon.com, established by Jeff Bezos, embodies this approach. Bezos envisioned using the internet as a platform to market books and expanded into other areas. While this approach proved advantageous for Amazon's growth, Bezos' unconventional management style made it challenging to retain senior executives.

◆ Visionary Leader for Growth

3.1.4.2 Adaptive Mode

The decision making mode referred to as "muddling through" is characterised by reactive solutions to existing problems instead of a proactive search for new opportunities. Priorities of objectives are often subject to bargaining. In this mode, strategy is developed incrementally to move a corporation forward. This approach is common among most universities, many large hospitals, a significant number of governmental agencies and surprisingly, many large corporations. Encyclopaedia Britannica Inc. operated successfully in this mode for many years.

◆ Reactive Problem-Solving

3.1.4.3 Planning Mode

The planning mode of decision making involves systematically gathering relevant information for situation analysis, generating feasible alternative strategies and rationally selecting the most suitable strategy. It encompasses both the proactive search for new opportunities and the reactive resolution of existing problems. The example of IBM under CEO Louis Gerstner il-

◆ Systematic Analysis & Strategic Choice

illustrates the planning mode. When Gerstner assumed the role of CEO in 1993, he recognized that IBM was in serious trouble. The company's primary product line, mainframe computers, was experiencing a rapid decline in sales and market share. Gerstner's initial move was to hold a two-day meeting on corporate strategy with senior executives, during which they conducted a thorough analysis of IBM's product lines. The analysis revealed that the only segment of the company that was growing was services, but it was a relatively small and unprofitable segment. Rather than focusing on making and selling its own computer hardware, IBM made a strategic decision to invest in services that integrated information technology. The company decided to provide a complete set of services from building systems to defining architecture to running and managing computers for customers - regardless of who made the products. Since it was no longer critical for the company to be entirely vertically integrated, it sold its DRAM, disk-drive, and laptop computer businesses and exited software application development. Since making this strategic decision in 1993, IBM has experienced an 80% growth in revenue from services.

3.1.4.4 Logical Incrementalism

The fourth mode of decision making can be described as logical incrementalism, which synthesizes elements from the planning, adaptive and entrepreneurial modes. Top management in this mode has a clear understanding of the corporation's mission and objectives, but the strategy is developed through an interactive process that involves experimentation and learning from partial (incremental) commitments, rather than through a total strategy. While the mission and objectives are set, the strategy is allowed to emerge through debate, discussion and experimentation. This mode is particularly useful when the environment is changing rapidly and it is important to build consensus and develop resources before committing to a specific strategy. In the petroleum industry, this approach is described as "planned emergence," where corporate headquarters establishes the mission and objectives, but the business units propose strategies to achieve them. Grant's analysis of the industry supports this mode of strategic planning.

◆ Iterative Strategy Through Experimentation

3.1.5 Levels of Strategy Formulation

In organisations, there are typically three levels of strategy formulation that help guide decision-making and actions:



- i. **Corporate level strategy:** This level defines an organisation's overall objectives, such as whether to pursue growth, stability, acquisition or retrenchment. It also determines which markets or industries the organisation will enter.
- ii. **Business level strategy:** This level focuses on how an organisation will compete within its specific markets or industries. It is particularly relevant for organisations that have multiple business units, each of which is considered a strategic business unit (SBU).
- iii. **Functional level strategy:** At this level, the focus is on the day-to-day actions needed to achieve the corporate and business level strategies. This includes allocating resources and making operational decisions.

Ultimately, every organisation has competitors and the strategic formulation process helps businesses become more successful and established than their rivals.

3.1.6 Types of Strategies

Strategy is the process of defining a company's purpose or mission, establishing its fundamental long term objectives and identifying the actions and resources required to accomplish those goals. Generally, there are four types of business strategies. They are:

- a. Corporate level strategy or Organisation Strategy
- b. Business Level or Competitive Strategy
- c. Functional Strategy
- d. Operational Strategy

3.1.6.1 Corporate Level Strategy

A strategy at the corporate level, also known as an organisational-level strategy, centres around the vision, mission, values or purpose of the organisation. This strategy typically involves the company's fundamental value proposition and the goals it aims to accomplish through it. Moreover, it encompasses the company's identity and reputation among stakeholders and external parties. Generally, the organisational level strategies are categorised into three, such as Stability Strategy, Growth strategies and Retrenchment strategies.

◆ organisational-level strategy

◆ maintaining the current model

Stability Strategy

Stability strategy is a type of business strategy that involves maintaining the current business model and direction of an organisation without any significant change. This strategy is suitable for companies that are already successful in their current market and do not want to take any significant risks that could disrupt their existing operations.

Examples of Stability Strategy:

Coca Cola is an example of a company that has used a stability strategy for many years. The company has focused on maintaining its core business of producing soft drinks and expanding its product line through acquisitions and partnerships, rather than making significant changes to its business model.

McDonald's is another example of a company that has used a stability strategy. The company has maintained its core business of fast food restaurants and expanded its menu through new products and promotions.

Pros of Stability Strategy

- i. **Low Risk:** Stability strategy is a low-risk approach that allows companies to maintain their existing operations without taking any significant risk.
- ii. **Cost-Effective:** Since companies do not need to invest in new initiatives, stability strategy can be cost-effective.
- iii. **Consistent Performance:** Stability strategy allows companies to maintain consistent performance over time, which can help build a strong brand reputation.

Drawbacks of Stability Strategy

- i. **Limited Growth:** Stability strategy can limit a company's growth potential since it does not involve any significant changes or innovations.

- ii. **Competitor Advantage:** If competitors introduce new products or services, stability strategy can put companies at a disadvantage since they are not adapting to the changing market.
- iii. **Complacency:** Stability strategy can lead to complacency among employees and management, which can result in a lack of innovation and decreased motivation.

Types of Stability Strategy

- i. Pause / Proceed with Caution:

◆ Cautious Expansion Planning

The Pause / Proceed with Caution type of stability strategy is often used when a company is unsure about the feasibility of new initiatives or expansion plans. This strategy involves delaying any new initiatives until the organisation can analyse the market and its internal capabilities to ensure that they can be successful. This approach can help companies avoid costly mistakes and ensure that they are well prepared before entering new markets or introducing new products.

For example, a retail company may decide to delay opening new stores until it can analyse the market to ensure that there is sufficient demand for its products in the new locations. By taking a cautious approach, the company can avoid the risk of investing in new stores that may not be profitable.

- ii. No Change:

◆ Maintaining Status Quo

The No Change type of stability strategy involves continuing with the current business model and operations without any change. This approach is often used by companies that have a strong market position and do not want to risk losing their competitive advantage by making significant changes to their business model.

For example, a successful fast food chain may decide to continue with its current menu and service model without making any significant change. By maintaining its current approach, the company can continue to serve its loyal customer base while avoiding the risk of introducing new menu items that may not be successful.

- iii. Profit

◆ Maximizing profits

The Profit type of stability strategy involves focusing on maximizing profits from existing operations and reducing costs. This approach is often used by companies that want to maintain their current operations while increasing profitability.

For example, a manufacturing company may decide to focus on reducing costs by streamlining its supply chain and improving production efficiency. By reducing costs, the company can increase profitability without making significant changes to its business model or operations.

Growth Strategies

Growth strategies are business strategies aimed at expanding a company's operations, increasing its market share and generating higher revenue. There are several types of growth strategies that companies can use to achieve these goals.

Advantages of Growth Strategies

- i. **Increased Revenue:** Growth strategies can lead to increased revenue, which can be used to fund further expansion and innovation.
- ii. **Improved Market Position:** Growth strategies can help companies increase their market share, improve their brand image and gain a competitive advantage.
- iii. **Economies of Scale:** As a company grows, it can benefit from economies of scale which can reduce costs and increase profitability.

Disadvantages of Growth Strategies

- i. **High Risk:** Growth strategies can be high risk, as they often require significant investment and may not always result in the desired outcomes.
- ii. **Increased Competition:** Growth strategies can attract new competitors, which can impact a company's profitability and market share.
- iii. **Resource Constraints:** Implementing a growth strategy can require significant resources, including financial, personnel, and technology, which may be a challenge for some companies.

Types of Growth Strategies

◆ Existing Market Growth

Market Penetration: Market penetration involves increasing a company's market share in its existing market by increasing sales of its current products or services. This can be achieved through increased marketing, sales promotion or lowering prices to attract more customers.

Example: Starbucks increased its market share in the coffee industry by expanding its retail outlets globally, launching new products and introducing loyalty programs.



- ◆ expanding a company's operations

- i. Market Expansion:** Market expansion involves expanding a company's operations into new geographic locations or new customer segments. This can be achieved through strategic partnerships, acquisitions or opening new stores.

Example: Amazon expanded its market by offering international shipping, and entering new product categories like groceries and healthcare services.

- ◆ Introducing new products

- i. Product Development:** Product development involves introducing new products or services to an existing market to meet changing customer needs or preferences. This can be achieved through research and development or acquiring innovative startups.

Example: Apple regularly introduces new products and upgrades to its existing product lines, such as the iPhone, iPad and MacBook.

- ◆ new product or service

- ii. Diversification:** Diversification involves expanding a company's operations into new product or service categories that are not related to its current business. This can be achieved through mergers and acquisitions, strategic partnerships or by building a new business unit.

Example: Google diversified its business by investing in companies like Waymo (self-driving cars), Nest (smart homes) and YouTube (video sharing platform).

Retrenchment strategies

Retrenchment strategies are business strategies aimed at reducing a company's size or scope of operations to improve financial performance, profitability and competitiveness. There are several types of retrenchment strategies that companies can use to achieve these goals.

Advantages of Retrenchment Strategies

- i. Improved Financial Performance:** Retrenchment strategies can improve a company's financial performance by reducing costs, increasing efficiency and focusing on core operations.
- ii. Strategic Focus:** Retrenchment strategies can help companies focus on their core competencies and areas of strength, leading to increased competitiveness and profitability.

- iii. **Reduced Risk:** Retrenchment strategies can help reduce risk by eliminating non core businesses and assets that may be underperforming or causing financial strain.

Disadvantages of Retrenchment Strategies

- i. **Loss of Revenue:** Retrenchment strategies may result in a reduction in revenue if non core businesses are divested or closed.
- ii. **Employee Morale:** Retrenchment strategies may have a negative impact on employee morale and job security, which can lead to reduced productivity and increased turnover.
- iii. **Reputation Damage:** Retrenchment strategies can damage a company's reputation if they are not implemented carefully and can be seen as a sign of weakness or failure.

Types of Retrenchment strategy

i. Turnaround Strategy:

A turnaround strategy is a type of retrenchment strategy that aims to improve a company's financial performance by restructuring its operations. This may involve reducing costs, divesting non-core businesses and selling assets to raise capital. The goal of a turnaround strategy is to restore profitability and competitiveness to the company.

Example: Ford Motor Company used a turnaround strategy in the 2000s to improve profitability. They reduced costs by closing several manufacturing plants and laying off thousands of employees. They also focused on their core automotive business and streamlined their product offerings to better compete with other automakers.

◆ Financial Performance Improvement

ii. Divestiture Strategy:

A divestiture strategy involves selling off non core business units or assets to raise capital and focus on core operations. This type of retrenchment strategy can help a company improve its financial performance and competitiveness by eliminating underperforming or non core businesses that may be draining resources.

Example: General Electric used a divestiture strategy in 2018 by selling off several non-core businesses, including transportation, lighting and healthcare, to focus on aviation, power and renewable energy. This allowed them to streamline their operations and focus on their core areas of strength.

◆ Core Focus & Financial Improvement

iii. Liquidation Strategy:

A liquidation strategy involves selling off all assets and clos-



◆ selling off all assets

ing the business. This is often considered a last resort for companies that are unable to improve their financial performance through other means. Liquidation can help companies pay off their debts and provide some return to shareholders, but it often results in job losses and can damage a company's reputation.

Example: Toys R Us used a liquidation strategy in 2018 by selling off all of its stores and assets to pay off its debts. This was a result of declining sales and increased competition from online retailers like Amazon. While this strategy allowed Toys R Us to pay off its debts, it resulted in the closure of all stores and the loss of thousands of jobs.

Retrenchment strategies like turnaround, divestiture and liquidation can help companies improve their financial performance and competitiveness by focusing on core operations and eliminating non-core or underperforming businesses. Companies must carefully evaluate their situation and resources before implementing a retrenchment strategy to ensure that it is the best course of action for the company and its stakeholders.

Combination strategy

◆ Multiple Objectives & Competitive Advantage

A combination strategy is when a company employs a single strategy to achieve multiple business objectives, such as growth, consolidation or stability. This approach often involves combining different business strategies, such as offering differentiated products in a niche market while pursuing growth. The primary goal of combination strategies is to enhance the competitive position of the company within its industry by simultaneously pursuing multiple business objectives. Essentially, the organisation aims to achieve two or more objectives concurrently through the combination strategy.

Example:

Reliance Industries initially started as a textile manufacturer, but due to distribution inefficiencies in the market, the company opened its retail outlets under the brand name "Vimal" to overcome the wholesalers' and retailers' resistance to its products. This approach involved a combination of horizontal and vertical integration strategies. Since Reliance was already using many petrochemicals in its textile business, it decided to enter the manufacture of petrochemicals, starting with Polyester Staple Fibre (PSF) to price its products competitively. Later, it further expanded into crude oil refining by setting up a world class oil refinery at Hazira. Many large diversified companies use combination strategies to meet their objectives, satisfying the diverse needs of all their strategic business units. Such companies can practice several strategies simultaneously, with some units pursuing growth and others experiencing the decline or maturity

stage of the product life cycle, leading to retrenchment or stability.

The combination strategy comprises various strategies, such as stability, growth and retrenchment, as individual business units in a company have different products at different stages of the product life cycle, each facing different challenges. The combination strategies can take various forms, such as stability and growth in different businesses, stability and retrenchment in various parts or even growth and retrenchment in different business units.

Reasons to Adopt Combination Strategy

Companies adopt combination strategies because different business units within a company may face unique problems that cannot be resolved with a single solution. Here are some specific reasons why companies may choose to follow a combination strategy:

i. Different Products in Different Product Life Cycle

A company's various products may be in different stages of the product life cycle. For instance, products in the growth stage may require significant investment in advertising and sales promotion to attract more customers. In contrast, products in the maturity stage may require a stability strategy, where the company focuses on extracting profits from these products without investing in new ones. Finally, products in the declining stage may require retrenchment to reduce losses.

ii. Business Cycle

The various divisions and products of a company are impacted differently by the business cycle, which may offer growth opportunities for some businesses while presenting a challenge for others. Therefore, the company may choose to pursue expansion in certain businesses and retrenchment in others, depending on the specific circumstances.

iii. Number of Businesses

At times, companies may experience rapid growth to the point where managing a large number of products and businesses becomes unfeasible. In such cases, it becomes prudent for the management to reduce the number of businesses to effectively allocate limited resources to those with the highest potential for returns.

Types of Combination Strategy

i. Simultaneous Combination

Simultaneous combination strategy is a type of business

◆ Product Lifecycle Management

◆ business cycle's impact



◆ Aligned Multi-Strategy for Diverse Business Units

strategy in which a company seeks to pursue two or more different strategies at the same time to achieve multiple objectives. This approach involves implementing a combination of strategies such as growth, stability and retrenchment simultaneously across different business units or product lines within the company.

For example, a company may choose to expand its market share in a particular product category while simultaneously retrenching in another category that is experiencing declining sales. Alternatively, a company may pursue a stability strategy for a mature product line while investing in R&D to develop new products for growth. The goal of a simultaneous combination strategy is to maximize the company's competitive advantage and financial performance by balancing different objectives across different business units or product lines.

ii. Sequential Combination

Sequential combination strategy is a type of business strategy in which a company pursues one strategy at a time, in a specific sequence, to achieve multiple objectives. This approach involves implementing different strategies in a specific order, often starting with a retrenchment strategy to address any existing issues or weaknesses, followed by a stability strategy to consolidate the company's position and then a growth strategy to expand its business.

For example, a company may first focus on cost cutting measures and restructuring to address financial difficulties, followed by a stability strategy to maintain profitability and consolidate its position in the market and then a growth strategy to expand into new markets or product lines. The goal of a sequential combination strategy is to address immediate challenges or weaknesses first and then build on that foundation to achieve long-term success.

◆ Ordered Multi-Strategy Approach

◆ Competitive Advantage for Market Segment

3.1.6.2 Business Level Strategy

Business level strategy, commonly known as a competitive strategy, is centred on how a business unit plans to compete with other market players. The implementation of a business unit's competitive strategy should align with the overall organisational strategy. It is a type of strategic management that focuses on how a business unit will compete in its specific market segment. This strategy is concerned with how a company can gain a competitive advantage over its rivals and generate profits for the organisation. Business level strategy is typically formulated at the divisional or departmental level of an organisation.

Advantages of Business Level Strategy

- i. Allows a business unit to focus on its specific market segment
- ii. Enables the business to differentiate its products or services from competitors
- iii. Helps the business to optimize its resources and capabilities
- iv. Helps to improve profitability by focusing on cost leadership or differentiation

Disadvantages of Business Level Strategy

- i. Can be difficult to implement if the market segment is highly competitive
- ii. Requires a deep understanding of the market and customer needs
- iii. May require significant investment in research and development or marketing

3.1.6.3 Functional Level Strategy

Functional level strategy refers to a plan of action that a functional area within an organisation (such as marketing, finance, operations, etc.) develops to support the overall business level strategy. In simpler terms, it is a plan of action that each department or function within a company creates to support the broader goals and objectives of the organisation. The functional level strategy is critical because it helps translate the broader business level strategy into specific tactics and activities that each department or function can execute. For example, if the business level strategy is to achieve market leadership through product innovation, the marketing department might create a functional level strategy focused on developing and promoting innovative products that differentiate the company from its competitors.

The functional level strategy should align with the overall business level strategy and contribute towards achieving the organisation's objectives. It involves setting goals and objectives that are specific to the functional area, determining the resources and capabilities required to achieve those goals and creating an action plan to execute the strategy effectively. Functional level strategy is the plan of action that each functional area within an organisation creates to support the overall business level strategy, ensuring that each department contributes towards achieving the organisation's objectives.

◆ Functional Implementation of Business Strategy

◆ Alignment and Departmental Action for Business Goals



◆ Day-to-Day Execution for Tactical Objectives

3.1.6.4 Operational Level Strategy

Operational level strategy is a plan of action that outlines how an organisation's resources and capabilities will be deployed to achieve its tactical objectives, which are aligned with its overall business strategy. This level of strategy is focused on the day-to-day activities and operations of an organisation and involves making decisions that directly impact the organisation's operational efficiency and effectiveness. Operational level strategy is critical because it translates the broader business strategy and functional level strategies into specific operational plans and activities that can be executed by frontline employees. It involves setting specific operational goals and objectives that are aligned with the broader business strategy and functional level strategies and identifying the resources and capabilities required to achieve those goals.

The following are some of the key components of operational level strategy:

- i. Resource Allocation:** This involves determining how resources such as people, technology and finances will be allocated to various operations within the organisation to achieve operational objectives.
- ii. Process Improvement:** This involves analysing existing business processes to identify areas for improvement and implementing changes to increase operational efficiency and effectiveness.
- iii. Quality Control:** This involves ensuring that products and services meet or exceed customer expectations by implementing quality control measures.
- iv. Supply Chain Management:** This involves managing the flow of goods and services from suppliers to customers, including logistics, inventory management and procurement.
- v. Performance Metrics:** This involves establishing and monitoring performance metrics to ensure that operational objectives are being met.

Operational level strategy is focused on translating the broader business strategy and functional level strategies into specific operational plans and activities that can be executed by front-line employees. It involves setting specific operational goals and objectives, allocating resources, improving processes, implementing quality control measures, managing the supply chain and monitoring performance metrics to ensure that operational objectives are being met.

Summarised Overview

The strategic formulation process involves defining an organization's vision and goals, conducting thorough analyses of internal strengths and weaknesses, and external opportunities and threats, and deciding on the best strategies to achieve these goals. Basic principles include setting clear and achievable objectives, ensuring alignment with the organization's mission and values, and maintaining flexibility to adapt to changing circumstances. Modes of strategic formulation can be prescriptive, with carefully planned and deliberate strategies, or emergent, where strategies develop organically in response to unexpected challenges and opportunities. Types of strategies include stability strategies, focused on maintaining current operations and market position; growth strategies, aimed at expanding the organization's market presence, product lines, or geographic reach; and retrenchment strategies, which involve reducing or eliminating unprofitable operations to improve overall efficiency and financial health. Functional-level strategies are specific plans and actions within various departments, such as marketing, finance, and human resources, designed to support the overall strategic objectives. Stability strategies ensure steady performance, growth strategies drive innovation and expansion, retrenchment strategies streamline operations for sustainability, and functional-level strategies ensure that all parts of the organization work together to achieve strategic goals.

Self-Assessment Question

1. What is corporate-level strategy? Why is it important for a diversified firm?
2. What do you mean by stability strategy?
3. What are the circumstances where firms pursue a stability strategy?
4. What are the different approaches to stability strategy?
5. What resources and incentives encourage a firm to pursue expansion strategies?

Assignments

1. List out the main problems that affect a firm's efforts to use an expansion strategy?
2. What are the various reasons that firms choose to move from either a single or a dominant business position to a more diversified position?
3. Does the stability strategy mean that a firm stands still? Explain.



Suggested Reading

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU

Unit 2

Business Level and Corporate Level Strategies

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ know the BCG matrix
- ◆ recognise the strategic alternatives at the corporate level
- ◆ describe the generic strategy, grand strategy and offensive strategy

Background

Business level strategy and corporate level strategy are two important concepts in strategic management that help organisations achieve their goals and objectives. Business level strategy refers to the actions and decisions that an organisation takes to compete in a specific market or industry. Corporate level strategy, on the other hand, refers to the actions and decisions that an organisation takes to manage its portfolio of businesses and create value for its stakeholders. If a company like Apple wants to compete in the smartphone market, it will need to develop a business level strategy that focuses on product differentiation, marketing and distribution. This may involve developing unique features and designs, building brand awareness and creating partnerships with suppliers and retailers. By contrast, Apple's corporate level strategy might involve diversifying its portfolio of businesses, such as entering new markets like wearables, services or entertainment.

General Electric (G E), is a conglomerate that operates in a variety of industries such as aviation, energy, healthcare and transportation. G E's business level strategies will be tailored to the specific needs and challenges of each industry. For example, in the aviation industry, G E focuses on developing high-tech engines and other components that help airlines improve fuel efficiency and reduce emissions. In the energy industry, G E offers a range of products and services related to power generation, transmission and distribution. At the corporate level, G E's strategy involves streamlining its portfolio of businesses, divesting non-core assets and investing in new areas of growth.

The concepts of business level strategy and corporate level strategy have been studied and analysed by numerous scholars and practitioners over the years. One of the most influential frameworks in this area is Michael Porter's generic strategies, which

proposes that businesses can achieve competitive advantage by adopting one of the three generic strategies: cost leadership, differentiation or focus. Cost leadership involves achieving the lowest cost of production and offering products at a lower price than the competitors. Differentiation involves creating unique products or services that are valued by customers and difficult for the competitors to replicate. Focus involves targeting a narrow segment of the market and tailoring products and services to meet their specific needs.

Keywords

BCG Matrix, Grand strategies, Generic Strategies, Offensive strategies.

Discussion

3.2.1 Introduction

The concepts of business level and corporate level strategy have been around for several decades and have evolved over time. In the 1950s and 1960s, business level strategy was primarily focused on the concept of competitive advantage, while corporate level strategy focused on diversification. In the 1980s, Michael Porter introduced the concept of the Five Forces model, which became a widely-used framework for analysing competitive dynamics in industries. This model emphasized the importance of understanding the competitive landscape to develop effective business level strategies. In the 1990s and 2000s, there was a growing emphasis on corporate social responsibility and sustainable business practices, which led to the development of new corporate level strategies focused on environmental and social issues.

◆ Strategy Evolution

Today, business level and corporate level strategies continue to evolve in response to changing market conditions, technological advancements and social trends. Organisations must be agile and adaptable to remain competitive and successful in today's dynamic business environment.

3.2.2 The concept of Business Level Strategies

Business level strategy refers to the strategies that an organisation uses to compete in a specific market or industry. These strategies are focused on achieving a competitive advantage over rivals, and are designed to increase the organisation's profitabil-



◆ Competitive Advantage in Market

ity in that particular market. Business level strategy is a set of actions and decisions that an organisation takes to position itself within a particular market or industry. A competitive advantage is a unique set of advantages that a company possesses over its competitors, which allows it to outperform them in the market. Business level strategies are designed to create and sustain this competitive advantage over time to achieve a competitive advantage, organisations may use various strategies, such as cost leadership, differentiation, focus or a combination of these strategies.

◆ Cost leadership & Differentiation

Cost leadership strategy involves achieving the lowest cost of production or delivery of goods and services in a particular market or industry. This allows the organisation to offer its products or services at a lower price than the competitors, which can be a significant advantage in price-sensitive markets. Differentiation strategy involves creating unique and superior products or services that are perceived as more valuable by customers than those of the competitors. This allows the organisation to charge a premium price and generate higher profits. Focus strategy involves serving a particular niche or segment of the market, such as a specific geographic region or customer group. This allows the organisation to tailor its products or services to the specific needs of that market segment and compete effectively against larger, more diversified competitors. Integrated Low-Cost / Differentiation strategy combines elements of both cost leadership and differentiation strategies to offer a unique product or service at a lower cost than competitors while still maintaining a high level of differentiation. The goal of business level strategy is to increase the organisation's profitability in that particular market or industry by achieving a sustainable competitive advantage over rivals. This can be achieved through a combination of factors, including effective product design and development, efficient operations, effective marketing and sales strategies and superior customer service.

◆ Corporate Portfolio Management

3.2.3 The concept of corporate level strategies

Corporate level strategy is a set of actions and decisions taken by an organisation to manage its portfolio of businesses or divisions, with the aim of maximizing the overall performance and value of the entire organisation. Unlike business level strategies, which are focused on achieving a competitive advantage in a particular market or industry, corporate level strategies are concerned with the overall structure and management of the organisation. The primary goal of corporate level strategy is to create value by allocating resources and investments across the organisation's various businesses or divisions in a way that maximizes their overall performance and growth potential. This involves

identifying the organisation's core competencies and strengths, assessing market opportunities and determining the most effective way to structure and manage the organisation's various businesses or divisions to achieve its strategic goals.

3.2.4 BCG Matrix

The BCG Matrix, also known as the Boston Consulting Group Matrix, is a strategic management tool that helps companies to analyse their product portfolio and make decisions about which products to invest in, which to divest and which to maintain. The matrix categorizes products into four quadrants based on their market share and growth rate.

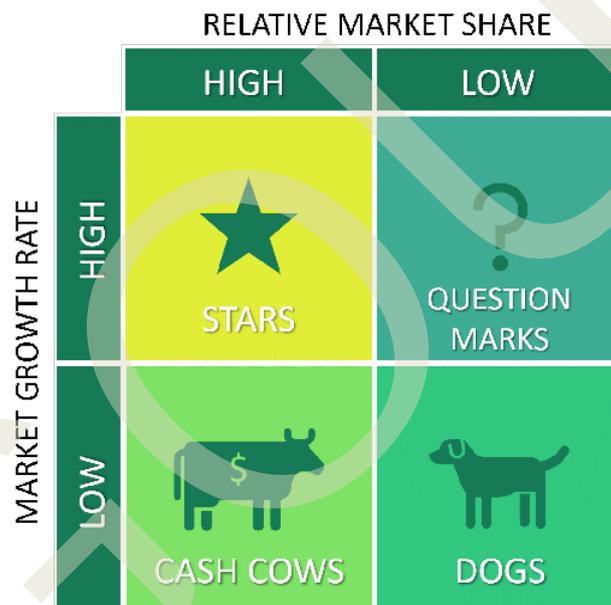


Figure: BCG Matrix

The four quadrants of the BCG Matrix are:

3.2.4.1 Stars

Stars are products that have a high market share and a high growth rate. This means that they are popular in the market and their demand is increasing rapidly. As a result, they require heavy investment to maintain their market share and continue their growth. Companies invest in stars to take advantage of their potential for growth and profitability. This investment can include research and development, marketing, production and other resources needed to maintain and expand the product's market share. The goal is to maintain the product's high growth rate and ensure that it remains a star in the company's product portfolio.

◆ High-Growth Market Leaders

However, maintaining a star status is not always easy. The competition in the market can be intense and other companies may be investing heavily in their own products to compete with

◆ Star Product Management

the star product. To maintain its market share and growth rate, a company may need to continually innovate and improve the product to stay ahead of the competition. If a star product can maintain its market share even as the market matures, it has the potential to become a cash cow. Cash cows are products that have a high market share but a low growth rate. They generate significant cash flow and profits for the company and require minimal investment to maintain their market share. Companies use the cash generated by cash cows to support other products in their portfolio and to invest in new products.

Examples of stars include the Apple iPhone and the Toyota Prius. The iPhone has been a star product for Apple for many years, with a high market share and a high growth rate. Apple has invested heavily in the iPhone, introducing new models and features to maintain its popularity and stay ahead of the competition. The Toyota Prius is another example of a star product. The Prius has a high market share in the hybrid car market and is experiencing significant growth as more consumers seek eco friendly vehicles. Toyota has invested heavily in the Prius, expanding its product line and improving its performance to maintain its market share and growth rate.

3.2.4.2 Cash Cow

◆ Market share and growth rate

Cash cows are products that have a high market share but a low growth rate. These products are well established in their market and as a result, they generate significant cash flow and profits for the company. They are considered a steady source of income for the company and require minimal investment to maintain their market share. Cash cows are an essential part of a company's product portfolio because they provide the company with a stable source of revenue that can be used to support other products in the portfolio. The cash generated by cash cows can be used to invest in new products, expand the company's operations or pay dividends to shareholders.

◆ Minimal Investment Needed

To maintain their market share, cash cows require minimal investment. This is because they are already established in the market and their brand recognition and customer loyalty are already well established. The company may only need to invest in minor improvements or updates to the product to keep it relevant in the market. Companies should focus on "milking" their cash cows for as long as possible to maximize their profitability. This means that the company should focus on reducing costs and increasing efficiency to maximize profits while minimizing investment.

Examples of cash cows include Coca Cola and McDonald's. Coca Cola has a high market share in the soft drink market and while the market for soft drinks is not growing significantly, Co-

ca-Cola continues to generate significant cash flow and profits. McDonald's is another example of a cash cow. The fast food chain has a high market share in the fast-food industry and continues to generate significant cash flow and profits, despite the relatively low growth rate of the industry.

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3.2.4.3 Question Mark (Problem Children)

Question marks, also known as problem children, are products with a low market share but a high growth rate. These products have the potential to become stars if the company invests in them to increase their market share. However, they require significant investment to do so and there is no guarantee that the investment will pay off. Companies may invest in question marks to take advantage of their potential for growth and profitability. This investment can include research and development, marketing, production and other resources needed to increase the product's market share. The goal is to turn the question mark into a star product in the company's product portfolio.

However, investing in question marks can be risky. The competition in the market can be intense and other companies may be investing heavily in their own products to compete with the question mark product. It is possible that despite the investment, the question mark may not succeed in the market. If a question mark is not successful in increasing its market share, the company may need to consider divesting the product. Divesting means selling or shutting down the product to minimize losses and focus on other products in the company's portfolio.

Examples of question marks include electric cars and plant-based meat alternatives. Electric cars have a low market share but a high growth rate as more consumers seek eco-friendly vehicles. Companies like Tesla, Nissan, and General Motors have invested heavily in electric cars to increase their market share and take advantage of this growth trend. Plant-based meat alternatives are another example of a question mark product. They have a low market share but are experiencing significant growth as more consumers seek healthy and eco-friendly food options. Companies like Beyond Meat and Impossible Foods have invested heavily in plant-based meat alternatives to increase their market share and become leaders in this emerging market.

◆ High-Risk High-Growth Products

◆ Question Mark Decisions



3.2.4.4 Dogs

◆ Low-Profit Products

Dogs are products in a company's portfolio that have both low market share and low growth rate. These products are not generating significant profits for the company and may require more investment than they are worth. Companies usually have two options with dogs; divest them or simply continue to maintain them. Dogs are not profitable and often do not have the potential to become profitable even with increased investment. These products may have reached the end of their lifecycle, become outdated or simply lost popularity in the market. As a result, they do not generate enough revenue to justify continued investment. Continuing to maintain dogs in the product portfolio can be expensive for the company and their limited profits can also impact the company's overall profitability. As a result, companies may consider divesting them, which involves selling or shutting down the product to minimize losses.

Examples of dog products include low end personal computers and basic flip phones. These products have lost their appeal to consumers due to technological advancements, making them outdated and no longer competitive in the market. As a result, they have low market share and low growth rate, making them unprofitable and a drain on the company's resources.

◆ Divest or Maintain Dogs

It is important for companies to identify and assess their dog products to determine whether they should divest them or maintain them in their product portfolio. Divesting may be the best option if the product does not have the potential to become profitable, while maintaining them may be an option if the company can find ways to cut costs and increase profitability. Dogs are products in a company's portfolio with low market share and low growth rate that are not generating significant profits. Companies may need to divest them or continue to maintain them while finding ways to cut costs and increase profitability.

◆ Decision Making Options

3.2.5 Strategic Alternatives at Corporate Level

Strategic alternatives are the various options available to a company to achieve its goals and objectives. These alternatives are developed during the strategic planning process and are used to guide decision making. There are several strategic alternatives that a company can consider, including growth strategies, diversification strategies, retrenchment strategies, stability strategies, collaboration strategies and international strategies.

3.2.5.1 Grand strategies

The corporate strategy or master strategy, commonly referred to as the grand strategy, outlines a company's general plan for achieving long term goals. There are four main types of grand

◆ Long-Term Company Direction

strategies: expansion, stability, retrenchment and combination. Depending on the company's product lines and development stages, it may adopt any number of these strategies to achieve its objectives. Each of these strategies can play a key role in a company's success in the long run. The grand strategy deals with the company's scope and direction, addressing questions such as the growth objectives, which strategy to use to attain those objectives, the company's lines of business and how they operate in coordination with each other.

Objectives of Grand Strategy

- i. Determining the optimal number of business lines to pursue and the desired market positions for each of these lines. This may also involve deciding whether to add or remove a particular line of business to increase or decrease the company's overall diversification.
- ii. The strategies employed may involve a combination of various sub-strategies for each business line. Healthy business lines may pursue high growth strategies, stable businesses can be maintained, underperforming businesses that show potential may undergo turnaround strategies and finally, businesses that do not align with the company's strategic roadmap should be divested. To achieve this, the businesses may require additional financial, managerial or other resources.
- iii. The grand strategy seeks to align the various business lines to achieve strategic fit and turn them into sources of competitive advantage for the company. This can be accomplished through the use and transfer of technology, procurement advantages, operational efficiency, distribution and customer relations.
- iv. Prioritizing investments in the most profitable business lines.

Importance of Grand Strategy

Having a corporate strategy is essential for a company to attain its long-term goals and objectives, deliver superior products and services and optimize the performance of its managerial team. The importance of corporate strategies is highlighted by the following factors:

i. Focus:

A well crafted corporate strategy enables a company to channel its diverse resources towards a singular objective. Without a formal corporate strategy, a company risks dissipating its re-

◆ Strategic Focus

sources, making it difficult to achieve a clear focus. Thus, the corporate strategy brings the much needed focus to the organisation.

◆ Performance Measurement Tool

A corporate strategy provides a benchmark for measuring the company's progress or setbacks. As the famous management guru, Peter Drucker, said, "What gets measured improves." The corporate strategy provides clarity on what needs to be measured, allowing the company to assess its performance more accurately.

◆ Crisis Resilience

iii. Long-Term Success:
A corporate strategy enables a company to navigate through periods of economic uncertainty, ensuring its long-term success. For instance, during the financial crisis of 2008, the global demand for petrochemicals declined, adversely affecting the short-term performance of Reliance Industries. However, due to its corporate strategy, the company was able to overcome external weaknesses and emerge from the crisis unscathed.

Resource Allocation & Direction

iv. Other Benefits:
Corporate strategy allocates scarce resources, shares the corporate vision with employees, motivates them to work harder and enables the management to handle unforeseen market contingencies. It also helps the management plan for the uncertain future, prepare for unforeseen emergencies, choose the best course of action and provide a yardstick for measuring the company's performance. The effectiveness of management implementation can be assessed by the success of the corporate strategy.

Limitations of Grand Strategy

Corporate or Grand strategy has certain limitations, which are as follows:

- i. Complexity:** Framing a corporate strategy is a complex and time-consuming process that requires extensive planning and analysis.
- ii. High Cost:** Developing a corporate strategy can be expensive, as it often involves hiring external consultants and investing a significant amount of resources. This can be a burden for small companies with limited financial resources.
- iii. Uncertain Future:** Corporate strategy is based on forecasts of the future, which are inherently uncertain and subject to change. This can lead to inaccurate predictions and strategies that may not be effective in the long run.

- iv. **Implementation Challenges:** The success of a corporate strategy depends on its execution, which can be impacted by organisational, behavioural and motivational factors. This can result in a gap between the conceptualization of the strategy and its actual implementation.
- v. **Long-Term Focus:** Corporate strategy is primarily focused on long term goals and may not be useful in addressing short term issues or problems.

3.2.5.2 Generic Strategies

A generic strategy is a broad approach to a company's positioning within an industry. By concentrating on a single generic strategy, executives can avoid competing in markets that are better serviced by other generic strategies and instead focus on the essential components of their companies' business level strategies. The most well known collection of generic strategies is derived from the work of Harvard Business School Professor Michael Porter and other scholars who expanded upon Porter's original concepts (Porter 1980).

Two competitive aspects, in Porter's opinion, are crucial to business level strategy. The first factor is a company's source of competitive advantage: whether it tries to outdo competitors by cutting costs or by providing something special to the market. The second factor is the breadth of a company's operations: whether it targets all clients or simply a specific group of them. These choices lead to the following four generic business-level strategies: cost leadership, differentiation, focused cost leadership and focused differentiation. Rarely are businesses able to provide customers with both affordable costs and distinctive qualities they find appealing. These businesses are using a best cost approach. Firms that are not able to offer low prices or appealing unique features are referred to as "stuck in the middle," where competition is greatest.

Understanding the distinctions behind generic tactics is crucial since they all present clients with quite diverse value propositions. A company with a cost leadership strategy will have a different value chain design than a company with a differentiation strategy. For instance, marketing and sales for a differentiation strategy frequently involve a lot of work, yet some companies that use a cost leadership strategy, like Denny's, are successful with little to no marketing. Each generic strategy is described in this unit along with the "recipe" that is typically used to implement that strategy successfully. These recipes might help businesses develop a plan that results in improved performance. But when firms fail to follow logical actions associated with each

◆ Competitive Advantage Focus

◆ Porter's Competitive Advantage

◆ Importance of Understanding Generic Strategies



strategy, the result may be a value proposition configuration that is expensive to implement and does not satisfy enough customers to be viable.

Types of Generic Strategies

The fundamental concept of competitive strategies originates from Michael Porter's Generic Strategies, which encompass:

Cost Leadership Strategy

◆ Low-Cost Leader Strategy

This strategy focuses on achieving the lowest cost of production or delivery in the market segment. This can be achieved through economies of scale, operational efficiencies and tight cost control. A company pursuing a cost leadership strategy typically offers its products or services at a lower price than competitors.

Example:

McDonald's is an example of a company that uses a cost leadership strategy. They are able to achieve low costs through economies of scale, standardized operations and efficient supply chain management. This allows them to offer their products at a lower price than many competitors.

Walmart, Ryanair and IKEA are also examples of cost leadership strategies.

Differentiation Strategy

◆ Unique Selling Proposition

This strategy focuses on creating a unique product or service that stands out from the competitors. Differentiation can be achieved through design, features, quality, customer service or other factors. A company pursuing a differentiation strategy typically charges a premium price for its products or services.

Examples:

Apple is an example of a company that uses a differentiation strategy. They differentiate their products through unique design, user experience and advanced technology. This allows them to charge a premium price for their products, even though they face competition from other technology companies.

Other examples are BMW and Coca-Cola.

Focus Strategy

◆ Niche Market Focus

This strategy focuses on serving a narrow market segment or niche. A company pursuing a focus strategy typically tailors its products or services to the specific needs of the target market. This can be achieved through customization, personalization or specialized expertise.

Examples include luxury brands like Rolex, catering companies that focus on vegan cuisine and niche software companies like Sketch.

3.2.5.3 Offensive strategies

Offensive strategy is a strategic approach in which an organisation seeks to take aggressive actions to gain market share, increase profitability or otherwise achieve a competitive advantage. Offensive strategies can take many forms, but they are generally focused on taking the initiative and attacking competitors, rather than simply reacting to their moves. An offensive strategy is a business approach where a company takes aggressive steps against the market leader to secure its market position and gain a competitive advantage. This can be achieved through product differentiation, lower pricing or resource advantages. It is important to note that an effective offensive strategy should be difficult for competitors to counter.

◆ Aggressive Market Advantage

Some common offensive strategies include reducing prices, creating catchy designs to attract attention and launching effective marketing and advertising campaigns. Successful implementation of an offensive strategy can provide a long term competitive edge. However, Strickland and Thompson have identified three periods that may impact this edge: the build up period (short or long, depending on resource availability), the benefit period (short or long, depending on the creativity of the offer), and the erosion period (when competitors find a way to counter the offer, leading to the end of the competitive edge). An offensive strategy can position a company as a trendsetter rather than a follower, but it is only suitable for innovative firms that have allocated separate budgets for research and development. Some firms following an offensive strategy may acquire other businesses to eliminate competitors, but the approach can be costly.

◆ Competitive Advantage Through Attack

Examples of Offensive Strategy:

Apple's development of the iPod and iTunes, which disrupted the music industry and established Apple as a leader in the digital music market.

Netflix's aggressive expansion into new markets and development of original content, which helped it gain market share and establish itself as a dominant player in the streaming video market.

Uber's disruption of the taxi industry by using digital technology to offer a more convenient and efficient ride hailing service.

Coca-Cola's aggressive marketing campaigns and product innovation, which have helped it maintain its position as a leading soft drink brand, despite intense competition from rivals.

Advantages of Offensive Strategy

- i. **First mover advantage:** By taking the initiative and moving quickly, an organisation can gain a first-mover advantage over competitors, establishing itself as a leader in a new market or product category.
- ii. **Increased market share:** Offensive strategies can help organisations gain market share by attracting new customers or taking customers away from competitors.
- iii. **Increased profitability:** Offensive strategies can also increase profitability by reducing costs, increasing efficiency or improving pricing power.
- iv. **Better customer engagement:** By taking aggressive actions to attract and retain customers, an organisation can improve customer engagement and loyalty.

Disadvantages of Offensive Strategy

- i. **High risk:** Offensive strategies are often high-risk, high-reward propositions and can result in significant losses if they are not executed effectively.
- ii. **Costly:** Offensive strategies often require significant investments in marketing, R&D and other areas, which can be costly for organisations.
- iii. **Potential backlash:** Offensive strategies can sometimes result in backlash from competitors or customers, which can damage an organisation's reputation and market position.

3.2.6 Types of Offensive Strategies

Some of the major types of offensive strategy are as follows;

◆ Head-On Competition

1. Frontal Attack

A frontal attack involves directly challenging a competitor by offering a similar product, price and quality. This strategy is considered risky, and should be attempted only if the attacker has a clear competitive advantage.

For example, Coca-Cola and Pepsi are both leaders in the soft drink industry and have considerable resources. They have a long history of engaging in frontal attacks. For instance, when Coca-Cola introduced Diet Coke, Pepsi responded by launching Diet Pepsi.

2. Flank Attack

A flank attack is a strategy where a challenger company targets the weak points of their competitor to gain a competitive advantage and secure their market position. For example, LG targeted other manufacturers of colour TVs in rural India to become the first brand to target the rural market. LG recognized that the rural market was not only price sensitive but also quality-conscious and customers were willing to pay more for a product that met their needs.

◆ Exploit Competitor Weakness

3. Encirclement attack

An encirclement attack involves attacking a competitor's strengths and weaknesses without leaving any margin of error. This strategy is often used by e-commerce platforms that attack all the strengths and weaknesses of their competitors to gain market share.

◆ Total Market Domination

4. Bypass attack

A bypass attack is a strategy where a company attacks a competitor through innovation. By launching an innovative product, the company creates a new segment in the market, which competitors will try to copy, but the impact of the attack will last for a long time. For example, Sony's co-founder, Masaru Ibuka, created the "Walkman" by designing a smaller recorder and cassette player, which was a huge success, with the company selling 400 million devices.

◆ Innovation to Bypass Competition

5. Guerrilla marketing

Guerrilla marketing involves making small, useful changes that, when repeated, can have a significant impact on the market. For example, McDonald's painted zebra crossing lines in yellow to symbolize French fries and packaged the image to create a unique brand image. These small changes can help a new small business gain popularity and provide trade and price discounts.

◆ Small useful changes

3.3.1 Defensive Strategies

A defensive strategy is a business strategy adopted by companies to protect their market position or market share by reducing the risk of losses or negative impact from external factors. This strategy is often used by companies when they face increased competition or market disruption from new entrants or changes in technology, consumer preferences or regulatory environment.

3.3.2 Objectives of Defensive Strategies

The key objectives of defensive strategies are:

- i. **Protecting market share:** The main objective of a defen-

sive strategy is to protect a company's market share from competitors. This can be achieved through actions such as lowering prices, improving product quality or offering better customer service.

- ii. **Maintaining profitability:** Defensive strategies are often used by companies that are facing financial difficulties. In such cases, the objective is to maintain profitability and avoid losses. This can be achieved by cutting costs, reducing expenses or divesting non-core assets.
- iii. **Strengthening brand reputation:** Defensive strategies can also be used to strengthen a company's brand reputation. For example, a company facing negative publicity may launch a public relations campaign to improve its image.
- iv. **Managing risk:** Defensive strategies can help companies manage risks associated with business operations. For example, a company may choose to diversify its product line or enter new markets to reduce its reliance on a single product or market.
- v. **Maintaining stakeholder confidence:** Defensive strategies can also be used to maintain stakeholder confidence in the company. This is particularly important for publicly traded companies that are accountable to shareholders. Defensive strategies such as improving financial transparency, reducing debt levels or increasing dividend payouts can help maintain stakeholder confidence.

3.3.3 Types of Defensive Strategies

There are several types of defensive strategies that a company can adopt, including:

- i. **Price reductions:** Companies may lower their prices to prevent their competitors from gaining market share. This can help to retain existing customers and attract new customers who are price sensitive. However, this strategy can also lead to lower profit margins and may not be sustainable in the long run.
- ii. **Cost-cutting measures:** Companies may reduce their costs to maintain profitability and competitiveness. This can include streamlining operations, outsourcing non-core functions or reducing headcount. However, this strategy may also impact the quality of the products or services offered by the company.
- iii. **Product differentiation:** Companies may differentiate their products or services to stand out from their compet-

itors. This can include offering unique features, superior quality or better customer service. However, this strategy can also be expensive to implement and may not be feasible for all companies.

- iv. **Strategic alliances:** Companies may form alliances or partnerships with other companies to increase their market power and competitiveness. This can include joint ventures, partnerships or collaborations. However, this strategy can also be risky, as it may lead to loss of control over the company's operations.

Examples of defensive strategies in action:

In the 1990s, Coca-Cola faced increased competition from PepsiCo and other soft drink manufacturers. To maintain its market share, Coca-Cola launched several new products, including Dasani water, Minute Maid orange juice and Powerade sports drink. Coca-Cola also reduced its prices and increased its advertising budget to stay competitive.

Apple faced stiff competition from Samsung in the smartphone market. To maintain its market position, Apple invested heavily in research and development, launched new products and services and differentiated its products through unique features such as the Siri virtual assistant.

During the 2008 - 2009 financial crisis, many banks adopted defensive strategies to reduce risk and protect their market position. This included reducing their exposure to risky assets, increasing their capital reserves and tightening their lending standards.

A defensive strategy can be an effective way for companies to protect their market position and minimize risks during times of increased competition or market disruption. However, it is important for companies to carefully evaluate the costs and benefits of different defensive strategies, and to remain flexible in adapting to changing market conditions.

◆ Protect Market Position

3.3.4 Strategic Alliances

Strategic alliances are partnerships between two or more companies that agree to work together to achieve common goals. The partners in a strategic alliance may collaborate on marketing, research and development, distribution or other activities.

Example: Starbucks and PepsiCo forming a strategic alliance to sell Starbucks bottled coffee and energy drinks in grocery stores.

◆ Collaborative Advantage

A strategic alliance is a collaborative partnership between two independent organisations that work together to achieve common goals without sacrificing their autonomy. Strategic alli-



ances can vary in size and scope and may involve a wide range of objectives. The effectiveness of a strategic alliance is maximized when the two organisations complement each other.

In recent years, corporations have increasingly formed strategic alliances and partnerships to enhance their competitiveness in both domestic and international markets. This represents a significant departure from the past when most companies preferred to go it alone, confident in their own competencies and resources. The corporate mindset has shifted towards strategic alliances and collaborative partnerships, even in the field of higher education where top management and engineering colleges have formed alliances with foreign universities to develop cutting edge curricula. Today, companies face the challenge of being part of the global race while also being pioneers in technology adoption and future-ready product development. Even industry leaders like Reliance Industries recognize that it is impossible to achieve global market leadership and develop futuristic products by going alone. Doing so requires immense resources, skills, technological access and capabilities, which may be beyond the reach of a single enterprise. This also increases the risk of failure; so, many companies now prefer strategic alliances to bridge these gaps.

◆ Alliance for Global Competition

Strategic alliances allow two or more companies to come together to achieve a common strategic objective without a full-fledged merger or partnership. Although some strategic alliances involve formal agreements, many do not. Strategic alliances and collaborative partnerships are crucial in bridging technological and resource gaps and more companies are adopting them to achieve their strategic objectives.

◆ Resource Sharing for Strategy

Advantages of Strategic Alliance

- i. **Shared resources and costs:** By forming a strategic alliance, companies can share resources and costs, which can result in cost savings and increased efficiency.
- ii. **Access to new markets:** Strategic alliances can provide access to new markets that would have been difficult to enter alone.
- iii. **Diversification:** Strategic alliances can help companies diversify their product offerings or services, which can reduce the risk of dependence on a single product or market.
- iv. **Knowledge sharing:** Strategic alliances can allow companies to share knowledge and expertise, which can lead to innovation and increased competitiveness.
- v. **Flexibility:** Strategic alliances can be flexible and can be structured to meet the changing needs of the partners.

Disadvantages of Strategic Alliance

- i. **Risk of loss of control:** By forming a strategic alliance, a company may have to give up some control over its operations or decision-making process.
- ii. **Risk of conflicts:** Strategic alliances involve multiple parties with different goals and objectives, which can lead to conflicts and disagreements.
- iii. **Risk of loss of competitive advantage:** Strategic alliances can result in the transfer of knowledge and expertise to the partner, which could eventually lead to the loss of a competitive advantage.
- iv. **Complexity:** Strategic alliances can be complex to manage, especially if the partners have different cultures, structures and management styles.
- v. **Dependence on the partner:** If the strategic alliance is critical to the success of the company, it could become dependent on the partner and may be vulnerable if the alliance is dissolved.

3.3.5 Joint Ventures

Joint ventures are partnerships between two or more companies that agree to create a new business entity. Each partner contributes resources, such as capital, expertise or technology, to the joint venture and shares the profits and losses.

Example: Sony and Ericsson forming a joint venture to produce mobile phones.

When two or more independent companies collaborate to create a new entity that is separate and distinct from their parent companies, a joint venture is formed. Joint ventures can take various forms, including those aimed at exploiting marketing or manufacturing opportunities. The key idea behind a joint venture is that each participating company brings in some expertise and through a process of synergy, the joint venture will gain a unique competitive advantage.

◆ Combined Expertise Venture

3.3.6 Forms of Joint Ventures

- i. **Jointly Controlled Operations:** This type of joint venture involves the use of assets and resources from different partners without forming a separate entity. The participating companies use their own inventories and resources for joint operations.
- ii. **Jointly Controlled Assets:** In some joint ventures, the assets are jointly owned and controlled by the participating companies. The assets are utilized by the joint venture partner for their benefit and they agree to share the costs.



- iii. **Jointly Controlled Entities:** When a joint venture involves the creation of a corporation or partnership in which each participating company has a stake, a jointly controlled entity is formed. The corporation operates as a business enterprise and control is shared among the partners of the joint venture based on a contractual agreement.

Advantages of Strategic Alliance

- i. **Increased expertise and knowledge:** Joint ventures allow companies to pool their resources, knowledge and expertise to achieve a common goal. This can result in improved product development, increased efficiency and better decision making.
- ii. **Risk-sharing:** Joint ventures allow companies to share the risks associated with a particular project or investment. This reduces the financial burden on any one company and reduces the overall risk.
- iii. **Access to new markets:** Joint ventures can provide access to new markets and customers that may be difficult or impossible to access alone. This can result in increased sales and revenue.
- iv. **Cost-sharing:** Joint ventures allow companies to share the costs associated with a particular project or investment. This can result in lower costs and increased profitability.

Disadvantages of Joint Ventures

- i. **Risk of conflicts:** Joint ventures can sometimes lead to conflicts between the partners, especially if they have different goals or ideas about how to run the joint venture.
- ii. **Loss of control:** Joint ventures require sharing control of the project or investment with another company. This can result in a loss of control over decision-making and operations.
- iii. **Legal and regulatory issues:** Joint ventures can be subject to legal and regulatory issues, such as antitrust laws and foreign investment regulations.
- iv. **Communication issues:** Joint ventures require strong communication and coordination between the partners. Poor communication can lead to misunderstandings and mistakes.

Expansion through Cooperation

Expansion through cooperation refers to the growth strategy of a company that involves partnering with other businesses to achieve its growth objectives. This strategy can be particularly



◆ Partnership for Growth

useful for companies that are looking to expand into new markets or product lines but may not have the necessary expertise or resources to do so on their own. The concept of co-operation refers to companies working together with their competitors to enhance the value they provide to their customers. This collaborative approach involves combining resources to generate the maximum value for all stakeholders involved. The key to successful co-operation is having a shared objective within the organisation. By working in tandem with their competitors, companies can offer customers better value at a reduced cost. Co-operation has become an increasingly popular strategy both in India and around the world, as organisations recognize the importance of fostering cooperative relationships with both internal and external stakeholders. Through co-operation, organisations are able to form meaningful partnerships, align stakeholders and navigate uncertain environments.

Advantages of Expansion through Cooperation

- i. **Access to new markets:** Partnering with another company can help a business enter new markets and expand its customer base.
- ii. **Shared risk:** Cooperation can help to reduce risk by sharing the costs and resources needed for growth.
- iii. **Access to expertise:** Partnering with another company can provide access to expertise or technology that the company may not have in-house.

Disadvantages of Expansion through Cooperation

- i. **Loss of control:** Partnering with another company can result in a loss of control over business decisions and operations.
- ii. **Potential conflicts:** Partnerships can lead to conflicts if the partners have different goals, priorities or values.
- iii. **Sharing profits:** Sharing profits with a partner can reduce the overall profitability of the company.

Expansion through co-operation can be a useful strategy for companies looking to achieve growth objectives. However, it is important for companies to carefully evaluate potential partners and ensure that the partnership aligns with the company's goals and values.

3.3.7 Types of Cooperation

3.3.7.1 Mergers

One of the ways for an organisation to expand is through a merger strategy. Usually, this occurs between two organisations

♦ Merger for Growth & Scale

of equal size, making it easier for both boards of the companies to approve the merger. In such cases, the newly formed board is typically composed of equal representation from both organisations. However, mergers do not always lead to shared appreciation between the companies involved. This is because mergers face the same issues as acquisitions, with intended benefits often overestimated and real costs being higher than expected. The integration of two organisations is also a challenging task. In addition, mergers can serve as a means for companies to build scale and prevent being acquired by other companies. However, mergers are often subject to conditions and may be blocked. Many examples of mergers can be found in the Indian market, such as the merger between Polyolefin Industries and NOCIL, and Sandoz (India) Ltd with Hindustan Ciba Geigy.

Advantages of Mergers

Mergers can offer several advantages to organisations, such as:

- i. **Synergy:** Combining the resources, expertise and capabilities of two companies can lead to a greater overall value than either company could achieve alone.
- ii. **Increased market share:** Mergers can increase the market share of the combined company, leading to greater pricing power and a larger customer base.
- iii. **Economies of scale:** A larger company may be able to take advantage of economies of scale, resulting in lower costs of production.
- iv. **Diversification:** Mergers can provide access to new markets, products and services, allowing the organisation to diversify its revenue streams.

Disadvantages of Mergers

However, there are also potential disadvantages to mergers, such as:

- i. **Culture clash:** The merging of two different company cultures can lead to conflict and difficulties in integrating the two organisations.
- ii. **Integration challenges:** The integration of two organisations can be complex and time consuming, requiring significant resources and management attention.
- iii. **Increased debt:** Mergers can require significant amounts of capital, which may have to be raised through debt, leading to increased financial risk for the combined company.
- iv. **Reduced competition:** Mergers can lead to a reduction

in competition, which may result in higher prices and reduced innovation.

- v. **Legal and regulatory issues:** Mergers may be subject to legal and regulatory scrutiny, which can delay or prevent the completion of the transaction.

3.3.7.2 Acquisition or Takeover

Acquisition is a growth strategy where a company purchases or takes over another business to gain access to new markets, products or distribution channels. However, this strategy requires careful management to avoid negative financial consequences. Payments can be made in phases, matching funds generated by the organisation. Although companies are always available for acquisition, a limited choice of targets may expedite the process. The belief that acquisitions always lead to organic growth is false. The acquisition process is time-consuming, involving a search for targets, negotiation for the right price and integration of the target company to create value. Acquisitions involve the dominance of one company over another, where a bigger company takes over shares and assets of a smaller company and runs it under its name or a combined name. For example, when Mahindra and Mahindra took over Satyam, the Satyam name merged into Tech Mahindra.

◆ Takeover for Growth

In an acquisition, a firm buys a controlling stake in the target company with the intention of making it a subsidiary or merging it with one of its existing businesses. For most companies, acquisition is a one time activity with a specific objective in mind.

◆ Controlling Stake Purchase

Advantages of Acquisition

- i. Access to new markets, products or distribution channels that can lead to increased revenue and profitability.
- ii. Acquiring companies can leverage the strengths of the acquired company to enhance their own operations.
- iii. Acquisition can provide a competitive advantage over other companies in the industry.
- iv. Acquisition can lead to economies of scale and cost savings due to shared resources.
- v. The acquiring company can gain access to the intellectual property and technology of the acquired company.

Disadvantages of Acquisition:

- i. High costs associated with the acquisition process, including legal, accounting and consulting fees.



- ii. Cultural differences between the two companies can create problems with integration and affect employee morale.
- iii. The acquiring company may face resistance from the employees of the acquired company, leading to a loss of key talent.
- iv. The acquiring company may underestimate the challenges of integration, leading to a failure to realize expected benefits.
- v. The acquisition can result in increased debt for the acquiring company, reducing financial flexibility.

3.3.8 Re-engineering

◆ Business Process Redesign

Reengineering is a strategy that involves fundamentally rethinking and redesigning business processes to improve performance, reduce costs and increase efficiency. The goal of re-engineering is to achieve radical improvements in key performance metrics such as quality, speed, cost and customer satisfaction. Re-engineering typically involves a top-down approach, where management identifies the areas that require improvement and leads the change process. The focus is on improving the end-to-end process rather than optimising individual functions or departments. Re-engineering can be a highly effective strategy when implemented correctly. It has been used by companies in a variety of industries to achieve significant improvements in performance and customer satisfaction..

Example

A telecom company in the U. S. had multiple departments to handle customer support for various issues such as technical glitches, billing, new connections and service termination. Customers had to call each department separately to resolve their issues, which was time-consuming and costly for the company. Smaller companies with limited resources were providing better customer service and posing a threat to the telecom giant's business. To simplify the process and provide a one-stop solution for customer queries, the company decided to merge all the departments and create a centralized customer support centre. The company laid off some employees to reduce multiple handoffs and create a team of customer support experts equipped with new software to access the customer database and handle different kinds of requests. With the new system, customers could get their billing queries resolved, fix their phone line or make new service requests in a single call. The push-button phone menu allowed them to connect directly with other departments to provide feedback or make further queries.

◆ Increased Efficiency

The re-engineering strategy helped the company achieve various objectives, such as cost and time savings through team reorganisation, accelerated information flow, minimized errors, enhanced service quality, improved customer satisfaction and clear process ownership within the restructured team. The team could also evaluate their performance based on instant feedback.

3.3.8.1 Steps in the Re-engineering Process

The re-engineering process involves several steps. They are:

Step 1: Defining the scope

◆ Strategic Redesign

Business process re-engineering (BPR) is a methodology that involves a radical redesign of business processes to achieve significant improvements in performance, productivity and quality. The success of BPR initiatives largely depends on how well the management team identifies the specific process to be re-engineered and sets clear objectives and goals.

◆ Process Analysis

Firstly, the management needs to identify which process need to be re-engineered. This could be a process that is inefficient, error-prone or no longer meets the needs of the business or its customers. Once the process is identified, management needs to analyse the current process and determine how it can be redesigned to achieve the desired improvements. This may involve breaking down the process into its component parts, identifying inefficiencies or bottlenecks and looking for opportunities to streamline or automate the process.

◆ Define Success

Secondly, the management needs to set clear objectives and goals for the re-engineered process. This involves defining what success looks like and how it will be measured. For example, management may set objectives to reduce process cycle time, increase customer satisfaction or improve the quality of the output. The objectives and goals need to be specific, measurable, achievable, relevant and time-bound (SMART), so that progress can be monitored and evaluated.

◆ Effective Leadership

Once the objectives and goals have been set, management needs to communicate them clearly to everyone involved in the re-engineering effort. This includes employees who will be directly involved in the new process, as well as stakeholders who may be affected by the changes. Clear communication helps to ensure that everyone understands the goals and objectives and is aligned with the vision for the new process. Management's role in BPR is critical to the success of the initiative. They need to identify the specific process to be re-engineered, set clear objectives and goals and communicate them effectively to all stakeholders. By doing so, they can create a shared vision for the future state

of the process and ensure that everyone is working towards the same goals.

Step 2: Mapping the current process

When a business process is identified for improvement, it is necessary to analyse and map the current process to identify inefficiencies and areas that can be improved. This process analysis is a critical step in the business process reengineering (BPR) methodology. The first step in analysing the current process is to gather data about the process. This data can be obtained through observation, interviews with employees who perform the process and reviewing documentation related to the process. Once the data is collected, it can be analysed to identify inefficiencies and areas for improvement. To analyse the current process, it is often useful to create a process map. A process map is a visual representation of the steps involved in the process, including the inputs, outputs and decision points. Process mapping helps to identify the flow of work, the roles of different stakeholders involved and potential areas of waste and inefficiency.

◆ Current State Analysis

Once the current process has been mapped, it is analysed to identify inefficiencies and areas for improvement. This involves looking for opportunities to streamline the process, reduce cycle time and eliminate unnecessary steps or activities. Common areas for improvement may include reducing duplication of effort, reducing handoffs or delays and eliminating non-value-added activities. During the analysis phase, it is also important to consider the impact of proposed changes on the overall business process. This includes understanding how changes to one part of the process will affect other parts of the process and the organisation as a whole. Analysing and mapping the current process is a critical step in the BPR methodology. It helps to identify inefficiencies and areas for improvement and provides a foundation for redesigning the process to achieve significant improvements in performance, productivity and quality.

◆ Identify Inefficiencies

Step 3: Redesigning the process

Once the current process has been analysed and areas for improvement have been identified, the next step in business process re-engineering (BPR) is to design a new process that is more efficient, effective and customer-centric. The new process design involves developing a blueprint for the future state of the process. This blueprint incorporates the changes and improvements identified during the analysis phase and outlines the steps, inputs, outputs and decision points involved in the new process. The new process design should be guided by the goals and objectives

◆ Future State Design

set by management at the beginning of the BPR initiative. For example, if the objective is to reduce cycle time, the new process design should include steps to streamline the process and eliminate unnecessary activities.

◆ Customer-Centric Efficiency

The new process design should also be customer-centric. This means that the design should take into account the needs and preferences of customers and aim to provide a better experience for them. For example, if the process is customer-facing, the new process design should be designed to reduce wait times, improve communication and provide a more personalized experience. To ensure that the new process is efficient and effective, it is important to consider how technology can be used to automate or streamline the process. This may involve the use of software, robotics or other automation technologies to eliminate manual tasks or reduce the risk of errors. Once the new process design has been developed, it should be reviewed and tested to ensure that it achieves the desired outcomes. This may involve running simulations, conducting pilot tests or gathering feedback from stakeholders.

◆ Future State Design

Designing a new process that is more efficient, effective, and customer-centric is a critical step in the BPR methodology. It involves developing a blueprint for the future state of the process, guided by the goals and objectives of the initiative and incorporating technology to automate and streamline the process. The new process design should also take into account the needs and preferences of customers and be tested and refined to ensure that it achieves the desired outcomes.

Step 4: Implementing the new Process

◆ Effective Change Management

Once a new process design has been developed and tested, the next step in the business process re-engineering (BPR) methodology is to implement the new process. However, implementing a new process can be challenging and it is important to manage the change effectively to ensure a smooth transition. This involves providing appropriate training, communication and change management. Training is essential to ensure that employees are equipped with the knowledge and skills necessary to perform their new roles and responsibilities. This may involve training on new software or tools, changes in work processes or updates to policies and procedures. Training should be tailored to the specific needs of each employee and delivered in a format that is engaging and easy to understand.

Communication is also critical to the success of the new process implementation. Employees should be informed about the changes, including the reasons behind the changes and the benefits they can expect. Communication should be ongoing, with

◆ Smooth Transition

regular updates and opportunities for employees to ask questions and provide feedback. Change management is an important aspect of implementing a new process. Change management involves managing the emotional and psychological aspects of change, including resistance to change, anxiety and uncertainty. It is important to engage employees in the change process and address their concerns and fears. This may involve involving employees in the change process, seeking their input and feedback and providing them with support and resources to help them adapt to the new process.

◆ Post-Implementation Monitoring

During the implementation phase, it is important to monitor the progress of the new process and make adjustments as necessary. This may involve identifying and addressing bottlenecks or inefficiencies in the new process and providing additional training or support to employees who are struggling to adapt. Implementing a new process with appropriate training, communication and change management is critical for ensuring a smooth transition and the success of the BPR initiative. By providing employees with the knowledge, skills and resources necessary to perform their new roles and responsibilities and managing the emotional and psychological aspects of change, organisations can increase the likelihood of success and achieve the desired outcomes of the BPR initiative.

◆ Measure performance

Step 5: Monitoring and Measuring Performance

After the implementation of a new process, it is important to monitor and measure its performance to ensure that it is meeting the objectives and goals set by management. This is a critical step in business process re-engineering (BPR) as it allows organisations to evaluate the effectiveness of the new process and identify areas for further improvement. Monitoring and measuring the performance of the new process involves collecting and analysing data related to key performance indicators (KPIs). KPIs are metrics that are used to measure the performance of the process against the goals and objectives set by the management. KPIs may vary depending on the specific process being re-engineered and the goals of the BPR initiative, but may include metrics such as cycle time, quality, cost and customer satisfaction.

To monitor and measure the performance of the new process, it is important to establish a system for data collection and analysis. This may involve implementing new technology or software to automate data collection or creating a system for manual data entry and analysis. The data should be collected and analysed on a regular basis to ensure that the process meets the objectives and goals set by the management. Once the data has been collected and analysed, it is important to use it to make informed decisions



◆ Continuous Improvement

about the process. This may involve identifying areas where the process is performing well and where it can be improved and making changes as necessary to optimize the process. In addition to monitoring and measuring the performance of the new process, it is important to communicate the results to stakeholders. This may involve creating reports or dashboards that summarise the data and highlight areas for improvement and sharing the results with the management, employees and customers. Monitoring and measuring the performance of the new process is a critical step in BPR. It allows organisations to evaluate the effectiveness of the new process, identify areas for improvement and make informed decisions about the process. By establishing a system for data collection and analysis, and communicating the results to stakeholders, organisations can ensure that the new process meets the objectives and goals set by the management and continuously improve the process to achieve better results.

3.3.9 Benefits of Re-engineering

Business process re-engineering (BPR) is a strategic approach that organisations can use to improve the efficiency and effectiveness of their business processes. Some of the benefits of BPR include:

- i. **Increased efficiency:** BPR can help organisations streamline their business processes, eliminate unnecessary steps and activities and reduce the time and resources required to complete tasks. This can result in significant improvements in efficiency and productivity.
- ii. **Improved quality:** By re-engineering their business processes, organisations can identify and eliminate sources of errors, defects and other quality issues. This can lead to improvements in product and service quality, customer satisfaction and overall business performance.
- iii. **Cost savings:** BPR can help organisations reduce their costs by eliminating waste, reducing duplication and optimizing their use of resources. This can result in significant cost savings, which can be reinvested in other areas of the business.
- iv. **Increased agility:** By re-engineering their business processes, organisations can become more agile and responsive to changing market conditions and customer needs. This can enable them to adapt quickly to new challenges and opportunities and maintain a competitive advantage in the marketplace.
- v. **Enhanced customer experience:** BPR can help organisations design and deliver products and services that bet-

ter meet the needs and expectations of their customers. This can result in higher levels of customer satisfaction, loyalty and retention.

- vi. **Improved employee engagement:** BPR can involve employees in the process of redesigning their work processes, which can improve their engagement, motivation and job satisfaction. This can result in higher levels of employee retention, productivity and performance.

3.3.10 Limitations of Re-engineering

While business process reengineering (BPR) can have many benefits, there are also some limitations to this approach. Some of the limitations of BPR include:

- i. **Cost:** BPR can be an expensive and time-consuming process, particularly for large organisations or complex processes. The costs of implementing a new process can be significant, including the costs of technology, training and change management.
- ii. **Resistance to change:** BPR can require significant changes to work processes, roles and responsibilities. This can lead to resistance from employees who may be resistant to change, particularly if they are not involved in the process of redesigning their work processes.
- iii. **Risk:** BPR can be risky, particularly if the new process is not well-designed or if the implementation is not managed effectively. There is a risk that the new process may not work as intended, which can lead to disruption, delays and even business failure.
- iv. **Lack of stakeholder involvement:** BPR requires the involvement of stakeholders, including employees, customers and other key stakeholders. If stakeholders are not adequately involved in the process, there is a risk that the new process may not meet their needs or expectations.
- v. **Overemphasis on technology:** BPR can sometimes place too much emphasis on technology, at the expense of other factors such as people and process. This can result in a focus on implementing new systems or software, rather than on improving the underlying work processes.
- vi. **Limited scope:** BPR can be limited in its scope, particularly if it focuses on individual processes or departments rather than the organisation as a whole. This can result in improvements in one area, but not in others, leading to suboptimal overall performance.

While BPR can have many benefits, it is important to be aware of the limitations and risks associated with this approach. By addressing these limitations and risks, organisations can improve their chances of success and achieve the full benefits of BPR.

3.3.11 Integration

Integration is a concept that refers to the process of combining or bringing together different elements, systems or functions in a coordinated and cohesive manner. Integration can occur at various levels, including within an organisation, between organisations or between different systems or technologies. Integration is a concept that refers to the process of combining or bringing together different elements, systems or functions in a coordinated and cohesive manner. Integration can occur at various levels, including within an organisation, between organisations or between different systems or technologies.

Here are some examples of integration:

Integration within an organisation: A common example of integration within an organisation is the integration of different departments or functions, such as finance, marketing and operations. By integrating these departments, organisations can improve communication, collaboration and efficiency. For example, a company may integrate its finance and marketing departments to better align its financial goals with its marketing strategy. **Integration between organisations:** Integration can also occur between different organisations that work together to achieve a common goal. For example, a hospital may integrate with a healthcare network to provide patients with access to a broader range of services and specialists. By integrating their systems and processes, the hospital and healthcare network can improve patient care and outcomes.

Integration between systems: Integration can also occur between different systems or technologies, such as software applications or hardware devices. For example, a company may integrate its customer relationship management (CRM) system with its accounting software to streamline its sales and billing processes. By integrating these systems, the company can improve data accuracy and reduce manual data entry. **Integration with third-party services:** Integration can also involve third-party services, such as payment processing or shipping services. For example, an e-commerce website may integrate with a payment gateway to process credit card payments, or with a shipping service to handle order fulfilment. By integrating with these services, the e-commerce website can provide a seamless customer experience and improve its efficiency.

◆ Combining Elements

◆ Organisational Alignment

◆ System Alignment



In all these examples, integration is about bringing different elements or systems together in a coordinated and cohesive manner to achieve a common goal. By integrating different processes, functions, systems or organisations, businesses can improve their performance, efficiency, and competitiveness. Integration as a strategy refers to the use of integration as a means of achieving business goals and objectives. Integration can take many forms, including vertical integration, horizontal integration and diagonal integration.

3.3.12 Types of Integration

There are several types of integration, including:

1. Vertical integration

Vertical integration occurs when a company integrates with different stages of the production process, such as raw material suppliers, manufacturers and distributors. This type of integration aims to reduce costs, increase efficiency or improve quality control.

2. Horizontal integration

Horizontal integration occurs when a company integrates with other companies in the same industry or market. This type of integration aims to increase market share, gain access to new technologies or resources or diversify the company's offer of products.

3. Diagonal integration

Diagonal integration occurs when a company integrates with companies in related industries or markets. This type of integration aims to diversify the company's products, expand its customer base or gain access to new technologies or resources.

4. Backward integration

Backward integration occurs when a company integrates with a supplier or a manufacturer to gain control over the supply chain. This type of integration allows the company to reduce costs, improve quality control or ensure a steady supply of raw materials or components.

5. Forward integration

Forward integration occurs when a company integrates with a distributor or a retailer to gain control over the distribution channels. This type of integration allows the company to increase its market share, improve customer service or reduce costs.

6. Conglomerate integration

Conglomerate integration occurs when a company integrates with companies in unrelated industries or markets. This type of integration aims to diversify the company's portfolio and reduce its exposure to risks in a particular industry or market.

Each type of integration has its own benefits and risks and companies must carefully consider their goals and objectives before choosing a particular type of integration.

3.3.13 Benefits of Integration

Increased efficiency: Integration can streamline business processes and eliminate duplication of efforts, leading to increased efficiency and productivity.

- i. Cost savings:** Integration can help companies reduce costs by eliminating redundancies and achieving economies of scale.
- ii. Improved quality control:** Integration can provide better control over the production process, ensuring consistent quality standards.
- iii. Increased market share:** Integration can help companies expand their market share by entering new markets or consolidating their position in existing ones.
- iv. Diversification:** Integration can help companies diversify their products / services, reducing their reliance on a single product or market.
- v. Improved customer service:** Integration can help companies improve their customer service by providing better coordination and communication among different parts of the business.

3.3.14 Limitations of Integration

- i. Increased complexity:** Integration can make the business more complex and difficult to manage, leading to challenges in coordination and communication.
- ii. Reduced flexibility:** Integration can limit a company's flexibility to respond to changing market conditions or customer needs.
- iii. Increased risk:** Integration can increase a company's exposure to risk, particularly if the integrated companies are in different industries or markets.
- iv. Reduced innovation:** Integration can reduce a company's ability to innovate, as it may become more focused on operational efficiency than on new ideas and products.

- v. **Cultural differences:** Integration can create cultural clashes between different parts of the business, particularly if they have different values, norms and management styles.
- vi. **Regulatory issues:** Integration can create regulatory challenges, particularly if the integrated companies operate in different countries or are subject to different legal and regulatory frameworks.

Summarised Overview

The term “strategic alliance” describes partnerships and cooperation between businesses aimed at achieving strategic goals and objectives. It might offer the corporations in the strategic alliances technological, operational and / or financial benefits. They could collaborate on research and development, product development, knowledge exchange, marketing and distribution, as well as quality assurance and research. Depending on a number of factors like the alliance’s participants, their financial commitment and the engagement of the government, for example, there are numerous forms of strategic alliances. In the economic sector, alliances are frequently formed. They are crucial to creating synergy. As participants in a strategic alliance pool their resources and work together, there is synergy resulting. But as there are many parties involved, there is a chance that certain issues will arise, such as disagreements between parties, government interference, delays in decision-making, differences in values and cultures, losses, unjust terms and conditions and so on.

Self-Assessment Question

1. What are strategic Alliances?
2. What do you mean by integration?
3. Briefly explain the meaning of re-engineering?
4. What are the different benefits of re-engineering?
5. What do you mean by defensive strategy?

Assignments

1. What do you mean by Re-engineering? Explain different steps in re-engineering?
2. What are strategic Alliances? Describe its types steps.
3. Explain the term Corporate Strategies and explain the external Corporate Strategies

Suggested Reading

1. Arthur A. Thompson Jr, Strickland. (2010). “Strategic Management- Concepts and Cases” TATA McGraw Hill Company Ltd, Second Reprint, New Delhi.
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6. Mavodza, J. (2016). *Citation Tracking in Academic Libraries: An Overview*. Oxford, UK: Chandos Publishing.
7. Reale, M. (2019). *Inquiry and Research: A Relational Approach in the Classroom*. American Library Association.



Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

SGOU



04 BLOCK

Strategy Implementation, Evaluation And Control

Block Content

- Unit - 1 Strategic Implementation
- Unit - 2 Approaches to Business
- Unit - 3 Evaluation and Control of Strategies



Unit 1

Strategic Implementation

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ be familiar with the concept of strategic implementation.
- ◆ examine key issues to implementing the strategy.
- ◆ discuss the process of strategic implementation.
- ◆ learn the structural, behavioural and functional aspects of implementation.
- ◆ know the uses of the McKinsey 7s strategic model.

Background

The domains of strategic management and strategic implementation are interconnected. The main track for the activities is provided by the strategic implementation. The creation of a strategy based on the chosen methodologies and the identification of the tasks to be done are insufficient. Even the best laid plans can go wrong if they are not properly executed. Plans must be chosen and then effectively implemented for success. The strategy implementation process is the realisation of the ideas developed by managing groups, after the identification of multiple strategies leading to the establishment of strategic initiatives. Implementing a strategy is important since it involves taking action rather than merely generating ideas. It permits a team to comprehend the viability of the suggested strategies. Due to the opportunity for team participation, a strategy implementation is a fantastic tool for team development. It depends on clear communication and appropriate tools. This unit covers the meaning of Strategic implementation, Behavioural, functional and structural aspects of implementation and the McKinsey 7s Model.

Keywords

Strategic implementation, Behavioural, functional, and structural aspects of implementation, McKinsey 7s Model.

◆ Strategy to Action

4.1.1 Strategic Implementation

The implementation of strategy is the process of putting an organisation's strategic plans into action. It involves translating high-level strategic goals and objectives into specific action steps that can be taken by the organisation to achieve those goals.

For example, if an organisation's strategic goal is to increase revenue by 20% in the next fiscal year, the implementation plan may involve specific action steps such as launching a new product line, expanding into new markets, increasing marketing and advertising efforts and improving customer service to retain existing customers.

The implementation of strategy requires a detailed plan that outlines the specific action steps required to achieve the organisation's strategic goals. This plan should identify the resources, timelines and responsibilities for each action step. In addition, the implementation of strategy requires effective communication to ensure that all stakeholders, including employees, partners, customers and investors, understand the organisation's strategic goals and objectives and their role in achieving them. Clear and frequent communication helps to ensure that everyone is working towards the same goals and understands how their work contributes to the organisation's overall success.

◆ Action and Communication

4.1.2 Process of Implementation of Strategy

The implementation of strategy typically involves the following steps:

Step 1: Develop an implementation plan

Developing a detailed plan is a crucial step in the implementation of the strategy. This plan outlines the specific action steps that are required to achieve the organisation's strategic goals and objectives. The plan should be based on a thorough understanding of the organisation's current situation, including its strengths, weaknesses, opportunities and threats. The plan should include specific, measurable and achievable goals and objectives that are aligned with the organisation's overall strategic goals. The action steps should be broken down into smaller, more manageable tasks and should be assigned to specific individuals or teams with clear timelines and responsibilities. In addition, the plan should identify the resources that will be required to achieve the strategic goals, including financial resources, personnel, technology and equipment. The plan should also include a timeline

◆ Strategic Action Plan



that outlines when each action step will be completed and when the overall strategic goal will be achieved. It is important to note that the plan should be flexible and adaptable to changing circumstances. As the implementation of the strategy progresses, there may be changes in the organisation's internal and external environment that require adjustments to the plan.

Step 2: Communicate the plan

Communication is a crucial element of the implementation of strategy. Once the implementation plan has been developed, it is important to communicate it effectively to all stakeholders. This includes employees, partners, customers and investors. Effective communication ensures that everyone involved in the implementation process understands the organisation's strategic goals and objectives, as well as the specific action steps that need to be taken to achieve them. This helps to create a shared understanding of the organisation's priorities and promote alignment between different teams and departments.

◆ Strategic Alignment

Effective communication also helps to build trust and confidence among stakeholders. When stakeholders are kept informed about the implementation plan and progress towards achieving the strategic goals, they are more likely to feel engaged and invested in the process. This can lead to increased motivation and commitment among employees, as well as greater support from partners, customers and investors. There are various ways to communicate the implementation plan to stakeholders. One approach is to hold regular meetings in town halls where progress is shared and questions can be asked. Other methods include newsletters, emails, social media updates or webinars.

◆ Stakeholder Engagement

Step 3: Assign responsibilities

Assigning specific individuals or teams to each step of action is a critical aspect of the implementation of strategy. This helps to ensure that there is clear accountability for each action and that progress is being made towards achieving the organisation's strategic goals. When action steps are assigned to specific individuals or teams, it is clear who is responsible for their implementation. This helps to ensure that there is no confusion or overlap and that everyone knows what they need to do. By assigning responsibilities in this way, it is easier to monitor progress and identify any potential issues or delays.

◆ Actionable Ownership

Assigning specific individuals or teams to each action step also promotes ownership and accountability. When people are responsible for specific tasks, they are more likely to take ownership of them and work towards achieving them. This helps to create a sense of ownership and engagement among employees,

◆ Individual Responsibility

which is essential for the successful implementation of strategy. In addition, assigning specific individuals or teams to each action step can help to promote collaboration and teamwork. When people work together on specific tasks, they are more likely to share knowledge, skills and resources, which can help to improve the quality and effectiveness of the implementation process.

Step 4: Monitor progress

◆ KPI Tracking

Monitoring progress towards the achievement of strategic goals and objectives involves tracking and measuring KPIs and metrics that are aligned with the organisation's strategic goals. KPIs are specific measurements that indicate the organisation's performance in key areas, while metrics are more general measurements that track progress towards overall goals. To monitor progress effectively, organisations need to establish a system for collecting and analysing data on their KPIs and metrics. This system should be designed to provide regular updates on performance and identify any areas where the organisation is falling short.

For example, if an organisation's strategic goal is to increase customer satisfaction, the KPIs and metrics that could be used to track progress may include customer satisfaction scores, customer retention rates and customer feedback surveys. By regularly collecting and analysing data on these KPIs and metrics, the organisation can determine whether it is making progress towards its strategic goal and identify areas where improvements are needed.

◆ Awareness of strategic goals

The results of monitoring progress should be communicated to all stakeholders to ensure that everyone is aware of the organisation's performance and the progress being made towards its strategic goals. If the results indicate that the organisation is not making sufficient progress towards its strategic goals, adjustments to the implementation plan may be necessary.

Step 5: Make adjustments

The implementation of strategy is an ongoing process that may encounter obstacles and challenges along the way. To ensure the success of the implementation, it is important to be flexible and make adjustments to the implementation plan as needed. This requires a willingness to adapt to changing circumstances and to revise the plan based on new information or feedback. One of the main reasons for making adjustments to the implementation plan is to address unforeseen obstacles or challenges that arise during the implementation process. These obstacles may be related to internal factors, such as a lack of resources or expertise or external factors, such as changes in the market or

◆ Adaptability

regulatory environment. By being flexible and making adjustments to the plan, organisations can overcome these obstacles and continue to make progress towards their strategic goals.

◆ Strategic Improvement

Another reason for making adjustments to the implementation plan is to improve the effectiveness of the plan. As the implementation progresses, it may become clear that certain tactics or strategies are not as effective as originally thought. By making adjustments to the plan, organisations can improve its effectiveness and increase the likelihood of achieving their strategic goals. In some cases, adjustments to the implementation plan may involve revising timelines, reallocating resources or changing tactics to better align with the organisation's strategic goals. For example, if a specific action step is not progressing as planned, it may be necessary to revise the timeline or allocate additional resources to ensure that it is completed on schedule. Similarly, if a particular strategy is not producing the desired results, it may be necessary to change tactics or adopt a different approach to achieve the organisation's strategic goals.

◆ Measure Success

Step 6: Evaluate results

Once the implementation plan has been completed, the organisation should conduct an evaluation to determine if the plan was successful in achieving the strategic goals and objectives. The evaluation process involves comparing the actual outcomes achieved against the desired outcomes specified in the strategic plan. To conduct a thorough evaluation, the organisation should gather and analyse data on key performance indicators (KPIs) and other relevant metrics. This data can be compared to the targets established in the strategic plan to determine if the organisation has achieved its goals. For example, if the organisation's strategic goal was to increase market share by 10%, the evaluation process would involve analysing market share data to determine if the organisation achieved the target of a 10% increase.

◆ Root cause analysis

If the organisation did not achieve its strategic goals, it is important to identify the reasons for the shortfall. This may involve conducting a root cause analysis to determine if there were issues with the implementation plan, if external factors impacted performance or if there were other factors that contributed to the shortfall. Based on the results of the evaluation, the organisation can make adjustments to the implementation plan and revise its strategies and tactics as necessary. This helps to ensure that the organisation remains aligned with its strategic goals and objectives and can continue to make progress toward achieving them.

4.1.3 Problems / Issues of Implementation

The implementation of strategy can be a complex and challenging process, and organisations may encounter several issues that can hinder their ability to successfully implement their strategic plans. Some common issues of implementation of strategy include:

- i. Lack of clear communication:** Failure to effectively communicate the organisation's strategic goals and objectives can lead to confusion and misunderstandings among employees and stakeholders. This can result in a lack of alignment and a failure to achieve the intended outcomes.
- ii. Resistance to change:** Implementing a new strategy often requires significant changes to the organisation's processes, systems and culture. Employees and stakeholders may be resistant to these changes, leading to delays or resistance to the implementation of the strategy.
- iii. Insufficient resources:** Implementing a new strategy may require additional resources, including financial, human and technological resources. If these resources are not available or are not allocated appropriately, the implementation of the strategy may be compromised.
- iv. Lack of alignment:** The implementation of strategy requires alignment across different levels and functions of the organisation. If there is a lack of alignment, different departments may work towards different goals, leading to a lack of coordination and a failure to achieve the desired outcomes.
- v. Inadequate monitoring and evaluation:** Without adequate monitoring and evaluation of the implementation process, it may be difficult to identify issues and make necessary adjustments. This can lead to a failure to achieve the desired outcomes and a waste of resources.
- vi. Failure to adapt to changing circumstances:** The business environment is constantly changing, and organisations may encounter unexpected challenges or opportunities during the implementation of their strategic plans. Failure to adapt to these changes can lead to a failure to achieve the desired outcomes.

Addressing these issues requires careful planning, effective communication and a willingness to adapt to changing circumstances. Organisations must also be prepared to invest the necessary resources to support the implementation of their strategic plans.

4.1.4 Structural, Functional and Behavioural Aspects of Implementation

a. Structural Aspects of Implementation

◆ Alignment

The structural perspective of implementation of strategy emphasises the importance of designing the organisation's structure to support the implementation of its strategic goals and objectives. This perspective focuses on the formal roles, responsibilities and reporting relationships within the organisation. To effectively implement its strategy, an organisation must ensure that its structure is aligned with its goals and objectives. This may involve restructuring the organisation to create new departments, teams reporting relationships or it may involve redefining the roles and responsibilities of existing employees.

◆ Resource Alignment

A key aspect of the structural perspective is ensuring that the organisation has the necessary resources to implement its strategy. This includes ensuring that the organisation has the right people, processes and technology in place to support the implementation of its strategic goals. Another important aspect of the structural perspective is creating a culture of accountability within the organisation. This involves establishing clear expectations for performance, providing regular feedback and coaching to employees and creating systems for measuring and tracking progress towards strategic goals.

b. Functional Aspects of Implementation

The functional perspective of strategy implementation focuses on the processes and activities required to implement the chosen strategy successfully. This perspective emphasizes the importance of aligning various functional areas within the organisation to ensure that they work together towards achieving the organisation's strategic goals and objectives.

The functional aspect involves several key steps, including:

- i. Resource allocation:** Allocating the necessary resources, including people, finance and technology, to the functional areas that are responsible for implementing the strategy.
- ii. Establishing processes and systems:** Establishing processes and systems that support the implementation of the strategy, such as performance management systems, communication channels and project management processes.
- iii. Developing job descriptions and performance metrics:** Developing job descriptions and performance metrics.

rics for individuals and teams involved in the implementation of the strategy to ensure that everyone is clear on their roles and responsibilities.

- iv. **Training and development:** Providing training and development opportunities to employees to ensure that they have the necessary skills and knowledge to implement the strategy effectively.
- v. **Establishing communication channels:** Establishing communication channels to ensure that information about the strategy and its implementation is shared effectively within the organisation.

The functional aspect of strategy implementation is critical for ensuring that the organisation's resources and capabilities are aligned with the chosen strategy. By focusing on the functional aspect of strategy implementation, organisations can create a strong foundation for achieving their strategic goals and objectives.

c. Behavioural Aspects of Implementation

The behavioural aspect of strategy implementation focuses on the human element of the organisation and how it impacts the successful implementation of a strategic plan. This aspect recognizes that the people within an organisation are the key to successfully implementing a strategy and their behaviour can either facilitate or hinder the process.

Behavioural aspects of strategy implementation can include the following:

- i. **Culture:** The organisational culture can play a significant role in how a strategy is implemented. A culture that values innovation and risk taking may be more likely to support the implementation of a new strategy, while a culture that is resistant to change may hinder the process.
- ii. **Leadership:** The behaviour of leaders within the organisation can significantly impact the success of strategy implementation. Leaders who are committed to the strategy communicate effectively with employees and provide support and resources to create a positive environment for implementation.
- iii. **Employee involvement and buy in:** Employees who are involved in the development of the strategy and feel a sense of ownership are more likely to be invested in its successful implementation. Buy in from employees at all levels of the organisation is crucial to the success of strategy implementation.

- iv. **Communication:** Effective communication is essential for successful strategy implementation. Clear and consistent communication helps ensure that everyone in the organisation understands the strategy and their role in implementing it.
- v. **Motivation and incentives:** Motivating employees to support the strategy and providing incentives for successful implementation can help create a positive and productive environment for strategy implementation.

Overall, the behavioural aspect of strategy implementation recognizes that people are at the centre of the process and their behaviour, attitudes and actions play a critical role in the success or failure of the strategy.

4.1.5 Mc Kinsey Seven S Model

The McKinsey 7 S model is a management tool developed by the consulting firm McKinsey & Company in the 1980s. It consists of seven interconnected elements that are crucial for organisational effectiveness. These seven elements are again divided into two such as 'Hard S' and 'Soft S.' In the McKinsey 7S model, the "hard S" elements refer to the tangible and measurable aspects of an organisation's strategy, structure and systems, while the "soft S" elements refer to the intangible and less measurable aspects of an organisation's shared values, skills, style and staff. The hard S elements include:

◆ Elements for Organisational effectiveness

- i. **Strategy:** The organisation's plan for achieving its goals and objectives.
- ii. **Structure:** The formal organisational hierarchy and reporting lines.
- iii. **Systems:** The processes and procedures used to manage and operate the organisation.

The soft S elements include:

- i. **Shared values:** The core beliefs and values that guide the behaviour and decision making of individuals in the organisation.
- ii. **Skills:** The collective knowledge and capabilities of the organisation's workforce.
- iii. **Style:** The leadership style and culture of the organisation.
- iv. **Staff:** The people who make up the organisation, including their roles, responsibilities and capabilities.

Both hard and soft S elements are critical to the success of an organisation, and they must be aligned and integrated to achieve effective organisational performance.

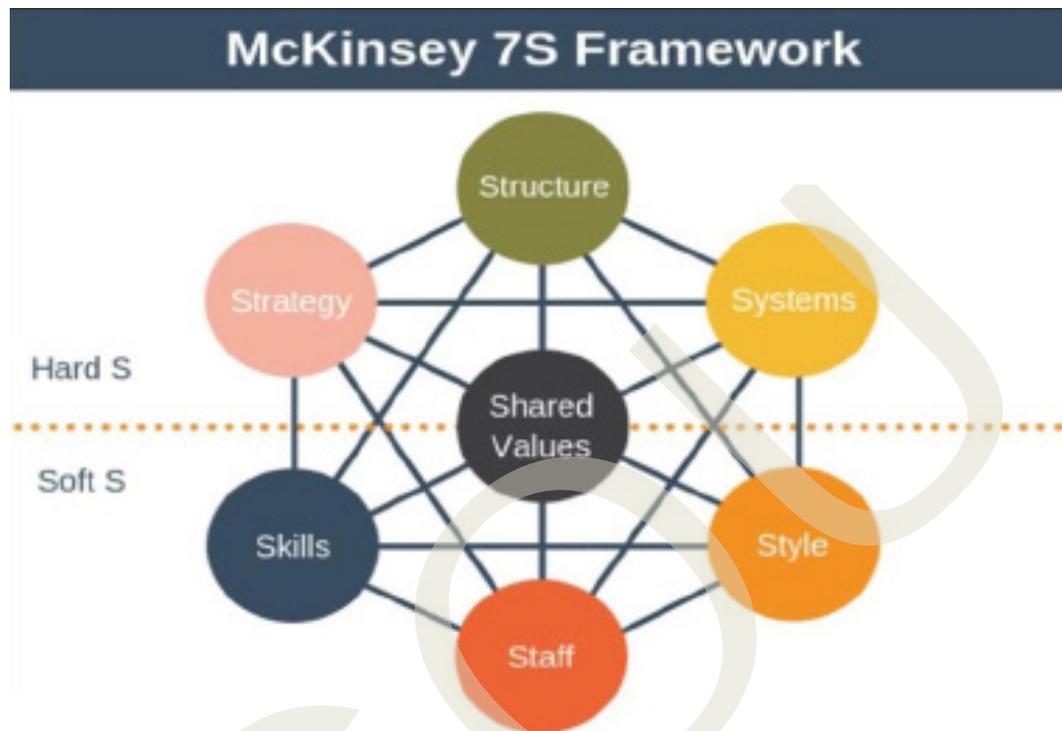


Figure: Mc Kinsey 7S Model

These elements are elaborately discussed below:

1. Strategy

This refers to the organisation's plan for achieving its objectives and goals. It involves making choices about where the organisation will compete and how it will win in the marketplace.

2. Structure

This refers to the organisation's formal hierarchy, reporting relationships and the way work is divided and coordinated. It also includes the decision making process and the distribution of power and authority.

3. Systems

This refers to the organisation's procedures, processes and routines that guide the behaviour of employees. It includes performance management, information systems and other systems that support the organisation's operations.

4. Shared Values

This refers to the organisation's core values, beliefs and culture. It includes the organisation's mission, vision and

purpose and the beliefs and values that guide employee behaviour.

5. Skills

This refers to the organisation's capabilities and competencies. It includes the technical, managerial and interpersonal skills of employees, as well as the organisation's ability to innovate and adapt to change.

6. Staff

This refers to the organisation's human resources. It includes the recruitment, selection, training and development of employees as well as the organisation's approach to talent management.

7. Style

This refers to the leadership style and management practices within the organisation. It includes the way leaders behave, communicate and make decisions as well as the overall culture of the organisation.

Summarised Overview

Strategic implementation involves translating a chosen strategy into organizational action to achieve strategic goals, addressing structural, functional, and behavioural aspects. Structurally, aligning the organization's hierarchy, processes, and resources to support the strategy ensures efficient workflow and clear responsibilities. Functionally, it involves the integration of various departments and functions, such as marketing, finance, and operations, to work cohesively towards common objectives. Behaviourally, it focuses on managing change, motivating employees, and fostering a culture that supports the strategic vision, addressing potential resistance and ensuring commitment at all levels. The McKinsey Seven S Model provides a comprehensive framework for effective implementation, emphasizing the alignment of seven key elements: Strategy, Structure, Systems, Shared Values, Skills, Style, and Staff. Strategy pertains to the plan of action to achieve competitive advantage; Structure refers to the organizational hierarchy; Systems are the procedures and processes; Shared Values are the core beliefs; Skills are the capabilities and competencies; Style is the leadership approach; and Staff encompasses the workforce. This holistic model ensures that all critical aspects of the organization are aligned and mutually reinforcing, facilitating smooth and effective implementation of strategies. By addressing these elements, organizations can ensure their strategic plans are successfully executed, leading to sustainable growth and competitive advantage.

Self-Assessment Question

1. Efficiency Vs Effectiveness
2. What is the meaning of strategic implementation?
3. What are the different stages of implementation of the strategy?
4. What are the key issues of strategic implementation?
5. What are the elements of Mc Kinsey Seven's Model?
6. State the characteristics of functional structure.

Assignments

1. What do you mean by strategic implementation? Explain the process of strategic implementation.
2. Explain the structural, functional and behavioural aspects of strategic implementation.
3. Develop a strategic implementation plan for a hypothetical company or business unit.
4. Define strategic objectives, identify key initiatives, and allocate resources and responsibilities.
5. Outline a timeline, performance metrics, and monitoring mechanisms to track progress and ensure successful execution.

Suggested Reading

1. Arthur A. Thompson Jr, Strickland. (2010). "Strategic Management- Concepts and Cases" TATA McGraw Hill Company Ltd, Second Reprint, New Delhi.
2. Budhiraja, S. B. and M. B. Athreya: Cases in Strategic Management, Tata McGraw Hill, New Delhi.
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Unit 2

Approaches to Business

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ explain the concept of Blue Ocean Strategy, Red Ocean strategy and Purple Ocean Strategy
- ◆ discuss the key elements of implementing the Blue Ocean Strategy
- ◆ get an awareness on the features of Red Ocean Strategy

Background

The success of any organisation, to a large extent, depends on the strategy it has adopted. Therefore, organisations, consultants, researchers and planners constantly are on the look out for an appropriate strategy, which will drive the success of an organisation. The increase in the complexity of the strategy concept can also be ascribed to its base discipline which is strategic management. This is because, on the one hand, the roots of the strategic management field are diverse and can be traced to several disciplines. It is clear that to win in the future, companies must stop competing with each other. The only way to beat the competition is to stop trying to beat the competition and meet the competition in the market universe composed of different sorts of oceans: red oceans, blue oceans, and purple oceans. This unit discusses this in detail.

Keywords

Blue Ocean Strategy, Red Ocean strategy, Purple Ocean Strategy

◆ Uncontested Market Creation

4.2.1 Concept of Blue Ocean Strategy

The concept of Blue Ocean Strategy is a strategic approach that aims to create an uncontested market space, which makes competition irrelevant. It was introduced in a book of the same name by W. Chan Kim and Renée Mauborgne in 2005. The central idea of Blue Ocean Strategy is to focus on creating new market space by developing and offering innovative products or services that cater to unexplored or underserved customer needs. The goal is to create a blue ocean, which represents an uncontested market space where demand is created, rather than fighting for market share in the existing red ocean, where competition is intense.

4.2.2 Key Elements of Implementing Blue Ocean Strategy

Blue Ocean Strategy is a business strategy framework that emphasizes creating uncontested market space by making the competition irrelevant. The process of implementing a Blue Ocean Strategy involves two key elements:

- a. Value Innovation
- b. Actions Framework.

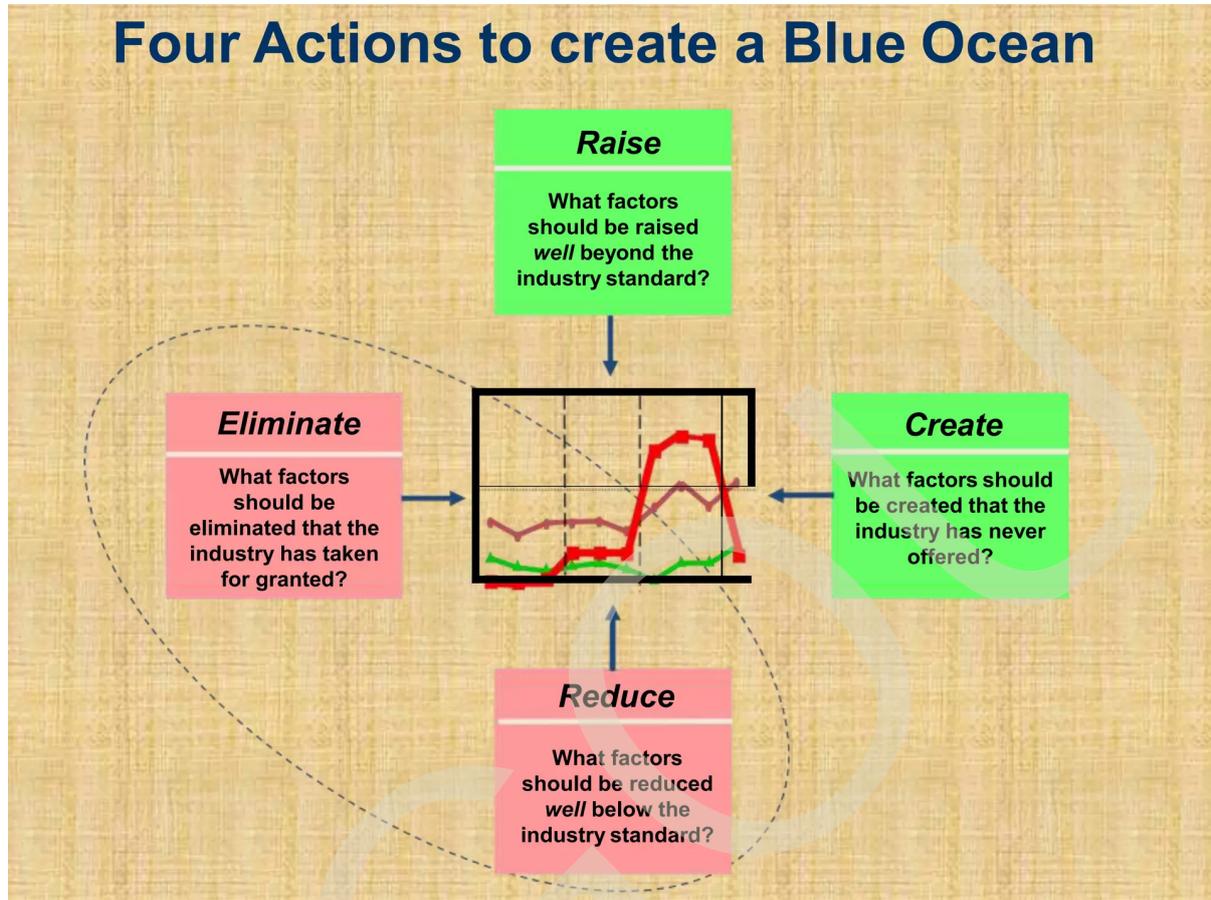
◆ Unique Products

Value Innovation involves creating a unique value proposition that differentiates the organisation from its competitors. According to the framework, companies can create a Blue Ocean by pursuing both differentiation and low cost simultaneously. This is achieved by offering customers a unique and innovative product or service that is not currently offered in the market and doing so at a lower cost than what competitors are currently offering.

The Actions Framework involves identifying and eliminating the factors that are taken for granted in the industry and focusing on the factors that can create new value for customers. The framework requires companies to ask four key questions:

- i. Which factors should be eliminated that the industry has long competed on?
- ii. Which factors should be reduced well below the industry's standard?
- iii. Which factors should be raised well above the industry's standard?

- iv. Which factors should be created that the industry has never offered?



By answering these questions, companies can identify areas where they can create new value for customers while reducing or eliminating features that are not valued or necessary. This creates a unique value proposition that differentiates the organisation from its competitors and helps to create a Blue Ocean in the market.

4.2.3 Concept of Red Ocean Strategy

The concept of the Red Ocean Strategy refers to the traditional approach of competing in an existing market where the competition is fierce and the market space is already crowded. In a Red Ocean, companies compete with each other in the same market space by trying to outperform one another in areas such as price, quality, features and service. As a result, the market becomes saturated and profits become limited as companies try to gain an advantage over their competitors. The term “Red Ocean” is used to describe this intense competition, as the metaphor implies that the ocean is filled with blood from the many companies trying to win the same customers. This approach to

◆ Competitive Market

◆ Competition vs. Innovation

competition is often seen in mature industries, where the market is already well established and there is little room for growth or differentiation.

To succeed in the Red Ocean, companies need to be highly efficient and focused on cost control, as they are operating in a zero sum game where every dollar spent by one company is a dollar taken away from another. Innovation in products or service is limited and hence, companies focus on incremental improvements in existing products or services. The Red Ocean Strategy is focused on competing in existing market spaces by trying to outperform the competition, while Blue Ocean Strategy is focused on creating new market spaces by offering unique value propositions that differentiate the organisation from its competitors.

4.2.3.1 Features of Red Ocean Strategy

The key features of the Red Ocean Strategy are:

- i. **Competition:** Red Ocean Strategy is focused on competing in an existing market space where competition is intense.
- ii. **Exploitation:** This strategy is based on exploiting existing demand for a product or service through incremental improvements, cost-cutting measures and aggressive marketing tactics.
- iii. **Emphasis on efficiency:** Red Ocean Strategy emphasizes improving efficiency in production, operations and supply chain management to gain a competitive advantage.
- iv. **Limited innovation:** Innovation in a Red Ocean Strategy is limited to incremental improvements, with a focus on improving existing products or services.
- v. **Short-term focus:** Red Ocean Strategy is focused on short term gains and maximizing profits in the current market space.
- vi. Companies are competing to attract new customers.

The Red Ocean Strategy is about competing in existing market spaces and trying to outperform rivals through incremental improvements and cost cutting measures.

4.2.4 Difference between Blue and Red Ocean Strategy

RED OCEAN STRATEGY	BLUE OCEAN STRATEGY
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost

4.2.5 Concept of purple Ocean Strategy

Blending Red Ocean and Blue Ocean Strategies can be a powerful approach to finding success in business. Red Ocean Strategies focus on competing in existing markets with established players, while Blue Ocean Strategies involve creating new markets or industries where there is little to no competition. By combining these two strategies, businesses can leverage the strengths of both approaches. This is what we call Purple Ocean Strategy. They can use Red Ocean Strategies to identify proven business models and best practices, while also tapping into Blue Ocean Strategies to find new and untapped markets. Businesses should also focus on continuously improving their product or service to maintain their market share and stay ahead of the competition. This can involve incorporating customer feedback, investing in research and development and staying up-to-date with industry trends and emerging technologies. Ultimately, blending Red Ocean and Blue Ocean Strategies requires a careful balance of creativity and practicality. Businesses must be willing to take risks and explore new opportunities, while also being mindful of the realities of the market and the competitive landscape.

◆ Competitive Innovation

Difference between Red, Purple, and Blue Ocean Strategy

Red Ocean Strategy	Purple Goldfish Strategy	Blue Ocean Strategy
Compete in existing market space	Compete in existing market space, but stand out via g.l.u.e... giving little unexpected extras	Create uncontested market space
Beat the competition	Differentiate yourself from the competition	Make the competition irrelevant
Exploit existing demand	Exploit current customer base to reduce attrition, drive loyalty and promote word of mouth	Create and capture new demand
Make the value-cost trade-off	Break the transactional market economy mindset, add value to exceed expectations	Break the value-cost trade-off
Align the whole system of a company's activities with its strategic choice of differentiation or low cost	Align the whole system of a company's activities in pursuit of differentiation through added value	Align the whole system of a company's activities in pursuit of differentiation and low cost

Summarised Overview

Approaches to business encompass various strategies that organizations use to compete, differentiate, and achieve their goals in the marketplace. The concept of Blue Ocean Strategy involves creating new, uncontested market spaces where competition is irrelevant, focusing on innovation and value creation to unlock new demand. In contrast, the Red Ocean Strategy involves competing in existing market spaces, where companies strive to outperform rivals and capture a greater share of existing demand, often leading to intense competition and margin pressures. The Purple Ocean Strategy blends elements of both Blue and Red Ocean strategies, aiming to innovate within an existing market to create differentiation while maintaining some competitive aspects. Evaluation and control of strategies involve systematically assessing the effectiveness of strategic plans through performance metrics, ensuring that organizational activities align with strategic objectives, and making necessary adjustments based on feedback and changing conditions. This includes regular monitoring, performance reviews, and corrective actions to address any deviations from the planned course. Effective evaluation and control mechanisms are crucial for maintaining strategic agility and ensuring long-term success in dynamic business environments. Together, these approaches enable businesses to navigate complex markets, innovate, compete effectively, and adapt to evolving challenges and opportunities.

Self-Assessment Question

1. What do you mean by blue ocean?
2. What do you mean by red ocean?
3. What do you mean by the purple ocean?
4. Write examples of the blue ocean?
5. 5. Write a few examples of the red and purple ocean?

Assignments

1. Draft a short note on Blue Ocean's strategy.
2. Discuss the main difference between red ocean and purple ocean.
3. Select a company and analyze its adoption of Blue Ocean Strategy to create new market space or disrupt existing industries.
4. Evaluate how the company identified and exploited blue ocean opportunities and differentiated itself from competitors.
5. Assess the impact of the Blue Ocean Strategy on the company's market share, profitability, and long-term sustainability.

Suggested Reading

1. Arthur A. Thompson Jr, Strickland. (2010). "Strategic Management- Concepts and Cases" TATA McGraw Hill Company Ltd, Second Reprint, New Delhi.
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Unit 3

Evaluation and Control of Strategies

Learning Outcomes

On successful completion of this unit, the learner will be able to:

- ◆ discuss the evaluation and controlling of strategies.
- ◆ examine the types of control.
- ◆ discuss the pre-and post-implementation process and issues.

Background

The final stage of the strategic management process is evaluating the company's progress. Assessing the impact of new external developments and making corrective adjustments are the trigger point for deciding whether to continue or change the company's vision, objectives, strategy and / or strategic execution methods. Every organisational strategy is regularly examined and updated. To support an organisation's survival and expansion, a company's corporate strategy must adapt as its internal and external circumstances do. Therefore, it is crucial to have a standardised procedure for assessing an organisational strategy's efficacy. It makes sure that the business is headed in the proper direction and is continuously adjusting to a changing marketplace. Controlling is one of the important functions of management and is often regarded as the core of the management process. It is a function intended to ensure and make possible the performance of planned activities and to achieve pre-determined goals and results.

In this unit, we are going to discuss the concept of strategic evaluation, its nature, and the requirements for effective strategic evaluation. We will get a fair idea about strategic control, its implementation control and the importance of strategic control. At the end of the unit, we will also discuss the pre-and post-implementation, process and its issues.

Keywords

Evaluation, Controlling of strategies, Types of Control- Pre- and Post-Implementation - Imple-mentation process and issues.



4.3.1 Introduction

Strategic control is a critical component of effective strategic management, as it enables companies to stay agile and responsive to changes in their internal and external environments. By regularly assessing their performance against their goals and making adjustments as necessary, companies can maximize their chances of achieving long term success and remaining competitive in their respective markets. Strategic control refers to the process of monitoring and evaluating the effectiveness of a company's overall strategic plan and making adjustments as necessary to ensure that the organisation is achieving its goals and objectives. It involves tracking key performance indicators (KPIs) and other metrics to identify trends and deviations from the plan and then taking action to address any issues or opportunities that arise.

◆ Monitor & Adapt Strategy

4.3.2 Types of Strategic Control

Strategic control is a distinctive approach to managing and executing a strategic plan. This process can handle uncertain and ambiguous factors related to a strategy's implementation, premise, outcome or surveillance. By using various types of strategic control, a company can effectively manage and monitor its strategy's implementation and outcomes, adapting to both internal and external changes. Familiarity with the different types of strategic control can help businesses assess their ability to leverage their strengths and capitalize on opportunities within their industry. Each type of strategic control provides a unique perspective and analytical approach to enhance the effectiveness of a company's strategy. Let us explore the four types of strategic control in management:

◆ Strategic Uncertainty Management

There are several types of strategic control, including premise control, implementation control and strategic surveillance.

1. Premise control

Premise control is a type of strategic control that focuses on ensuring that the assumptions and premises on which a strategic plan is based remain valid and relevant. This type of control is necessary because the business environment is constantly changing and assumptions made during the strategic planning phase may become outdated or inaccurate over time. Premise control involves monitoring and reassessing the fundamental assumptions underlying a strategic plan and making adjustments as necessary to ensure that the plan remains aligned with the

◆ Validating Strategic Assumptions

organisation's objectives and the external environment. By implementing premise control, companies can proactively address changes in their business environment and ensure that their strategic plans remain effective and relevant.

For example, a company that operates in the renewable energy sector might regularly review its assumptions about government policies and regulations related to energy production to ensure that its strategic plan remains aligned with the prevailing political and economic climate.

2. Implementation control

Implementation control is a type of strategic control that focuses on monitoring and evaluating the execution of a strategic plan. This type of control helps ensure that the actions taken to implement the strategy are consistent with the goals and objectives established in the plan. Implementation control involves tracking progress against key performance indicators (KPIs) and milestones, identifying potential roadblocks and making necessary adjustments to ensure that the strategy stays on track. This type of control also helps ensure that the resources allocated to the implementation of the strategy are being used efficiently and effectively. By implementing implementation control, companies can ensure that their strategic plans are being executed successfully and that they are making progress towards their desired outcomes.

For Example, a retailer that is expanding its e-commerce operations might use KPIs such as website traffic, conversion rates and average order value to track the success of its online sales efforts and make adjustments to its marketing and merchandising strategies as needed.

3. Strategic surveillance

Strategic surveillance is a type of strategic control that involves monitoring the internal and external environment of an organisation for potential changes that could impact the organisation's strategic direction. This type of control helps ensure that a company remains aware of any emerging threats or opportunities that may require a change in the strategic plan. Strategic surveillance involves collecting and analysing information on a regular basis, both from within the organisation and from external sources such as industry reports and market trends. By implementing strategic surveillance, companies can stay ahead of potential threats and capitalise on emerging opportunities. It allows organisations to be proactive in their strategic planning rather than reactive, ensuring that they can adapt to changes in their environment and maintain their competitive advantage.

◆ Monitoring Strategy Execution

◆ Environmental Scanning



◆ Crisis Response

For Example, an airline might closely monitor the price and availability of jet fuel and other key inputs to its business to anticipate and respond to fluctuations in operating costs that could impact its profitability and strategic positioning.

4. Special Alert Control

The special alert control enables businesses to evaluate their performance under specific circumstances, such as natural disasters or market crashes. This type of strategic control allows for the analysis of a strategy in unfamiliar conditions and provides the necessary tools, procedures and priorities to manage them effectively.

Special Alert Control is a type of strategic control that focuses on addressing unexpected or unique events that may require immediate attention and action. This type of control helps organisations to quickly respond to unexpected circumstances such as natural disasters, sudden changes in market conditions or unexpected competitors. For example, a company may have a Special Alert Control process in place to address a sudden shortage of raw materials due to a natural disaster. The process would involve assessing the impact of the shortage on the company's production capabilities, identifying alternative sources of raw materials and re-prioritizing production schedules to minimize the impact of the shortage on the company's operations. Another example could be a sudden change in regulations that affect the company's ability to operate in a certain market, where the Special Alert Control process would involve assessing the impact of the change, identifying potential risks and opportunities and taking necessary actions to comply with the new regulations or to explore new markets. Overall, the Special Alert Control process helps organisations to quickly respond to unexpected events and adapt their strategies accordingly.

4.3.3 Criteria for Strategic Control

The criteria for strategic control typically involve three key elements: relevance, validity and reliability.

1. Relevance

Strategic control must be relevant to the objectives of the organisation and the specific goals of the strategic plan. This means that the control processes should be designed to monitor the most critical aspects of the organisation's performance and ensure that they are aligned with the strategic plan.

For Example, suppose that a company's strategic plan includes the objective of expanding its market share in a partic-

ular geographic region. To ensure that the company is on track to achieve this objective, strategic control processes should be designed to monitor the company's performance in that region, as well as key performance indicators (KPIs) that are directly related to the objective of expanding market share. For example, relevant KPIs could include customer acquisition rates, customer retention rates and sales revenue growth in the region.

The strategic control processes should also be designed to ensure that the company's resources and activities are aligned with the objective of expanding market share in that region. For instance, the company may need to allocate additional marketing and sales resources to the region, or adjust its products to better meet the needs of customers in that market. By monitoring these critical aspects of the company's performance and ensuring that they are aligned with the strategic plan, the strategic control processes can help the company to stay on track towards achieving its objectives. This can help the company to identify potential roadblocks and make necessary adjustments to ensure that its actions are aligned with its strategic goals. In this way, the company can ensure that its resources are being used effectively and that it is making progress towards achieving its objectives.

◆ Strategic Resource Alignment

2. Validity

To effectively implement strategic control, an organisation must have access to accurate and up-to-date information that is relevant to its goals and objectives. This means that the control processes should be designed to collect and analyse data from reliable sources, including both internal and external data sources. For instance, an organisation might use financial reports, customer surveys, employee feedback, market research and other data sources to monitor its progress toward achieving its strategic objectives. By analysing this information, the organisation can identify potential problems, opportunities and areas where it needs to make changes to improve its performance.

◆ Data-Driven Monitoring

Moreover, the information collected through strategic control processes must be consistent with the organisation's strategic goals and objectives. This means that the organisation must have a clear understanding of its goals and objectives and communicate them effectively to all stakeholders. This ensures that everyone in the organisation is working towards the same goals and the information collected is relevant to the organisation's needs.

◆ Focused Monitoring

3. Reliability

Strategic control must be reliable and consistent over time. This means that the control processes should be designed to pro-



◆ Reliable Data

duce consistent results over time and minimise errors or inconsistencies in the data. The control processes should also be designed to detect and correct any errors or inconsistencies in the data to ensure that the information is reliable and accurate.

◆ Strategic Performance Assessment

4.3.4 Strategic Evaluation

Strategic evaluation is a crucial process that helps organisations assess their performance in relation to their long-term goals and objectives. This process involves systematically reviewing and analysing the organisation's strategic plans, strategies and tactics to determine their effectiveness in achieving desired outcomes. Here are some examples of strategic evaluation in action:

Example 1: A software company wants to evaluate its strategic approach to expanding its customer base. The company's strategic plan includes a strategy to partner with other companies in complementary industries to cross-sell each other's products. The company conducts a strategic evaluation to assess the effectiveness of this strategy in achieving its goal of expanding its customer base. The evaluation involves collecting data on the success of the company's partnerships, analysing the data to identify areas of success and weakness and developing recommendations for improving the effectiveness of the partnerships. Based on the findings of the evaluation, the company may adjust its partnership strategy, invest in new capabilities or make changes to its organisational structure to improve future performance.

Example 2: A retail chain wants to evaluate its strategic approach to improving customer satisfaction. The company's strategic plan includes a strategy to invest in employee training programs to improve customer service. The company conducts a strategic evaluation to assess the effectiveness of this strategy in achieving its goal of improving customer satisfaction. The evaluation involves collecting data on customer satisfaction levels, employee training program participation rates and other relevant information. The data is analysed to identify areas of success and weakness and recommendations are developed for improving the effectiveness of the employee training program. Based on the findings of the evaluation, the company may adjust its employee training programs, invest in new technologies or make changes to its customer service policies to improve future performance.

Example 3: A healthcare organisation wants to evaluate its strategic approach to reducing hospital re admissions. The organisation's strategic plan includes a strategy to implement a patient education program to help patients better manage their health after discharge. The organisation conducts a strategic evaluation to assess the effectiveness of this strategy in achieving its goal of reducing hospital re admissions. The evaluation

involves collecting data on re admission rates, patient satisfaction levels and other relevant information. The data is analysed to identify areas of success and weakness and recommendations are developed for improving the effectiveness of the patient education program. Based on the findings of the evaluation, the organisation may adjust its patient education program, invest in new technologies or make changes to its discharge policies to improve future performance.

4.3.4 Process of Strategic Evaluation

The strategic evaluation process typically involves the following steps:

Step1: Reviewing the organisation's strategic plans

Reviewing an organisation's strategic plans is a critical aspect of strategic evaluation, which is the process of assessing an organisation's performance in relation to its long term goals and objectives. Strategic plans are high level documents that outline an organisation's goals, objectives and strategies for achieving them over a set period of time, usually three to five years. A strategic plan typically includes an analysis of the organisation's current strengths, weaknesses, opportunities and threats as well as a roadmap for how the organisation will achieve its objectives.

◆ High-Level Plan Review

When reviewing an organisation's strategic plans, there are several key factors to consider:

- i. Goals and objectives:** The first step in reviewing an organisation's strategic plans is to assess whether the goals and objectives set out in the plan are still relevant and aligned with the organisation's overall mission and vision. It is important to ensure that the goals and objectives are specific, measurable, achievable, realistic and time-bound (SMART) and that they reflect the changing needs of the organisation and its stakeholders.
- ii. Implementation:** Another key factor to consider when reviewing an organisation's strategic plans is how well the plan has been implemented since it was developed. This includes assessing whether the organisation has the resources, capabilities and processes in place to execute the plan effectively as well as whether the plan has been communicated clearly to all stakeholders and is being monitored and evaluated regularly.
- iii. Results:** Ultimately, the success of an organisation's strategic plan depends on whether it has achieved its desired outcomes. When reviewing an organisation's strategic

plans, it is important to assess whether the plan has delivered the expected results in terms of revenue growth, profitability, customer satisfaction, employee engagement and other key performance indicators.

Here are some examples of how reviewing an organisation's strategic plans can inform strategic evaluation:

Example 1: An e-commerce company wants to evaluate its performance in relation to its strategic plans. The company's strategic plan includes a goal to increase revenue by 20% over the next three years by expanding into new geographic markets. To evaluate progress towards this goal, the company can review its sales data from the new markets, analyse customer feedback and reviews and assess the effectiveness of its marketing and advertising campaigns in those markets.

Example 2: A nonprofit organisation wants to evaluate its performance in relation to its strategic plans. The organisation's strategic plan includes a goal to increase fundraising revenue by 10% over the next two years by expanding its donor base. To evaluate progress towards this goal, the organisation can review its fundraising data, analyse the demographics of its donors and assess the effectiveness of its fundraising campaigns and events.

Step 2: Collecting Data

◆ Performance Data Collection

The step referred to in the statement involves collecting data on the organisation's performance, which is a crucial aspect of strategic evaluation. The purpose of collecting this data is to provide the basis for evaluating the effectiveness of the organisation's strategies and tactics in achieving its long term goals and objectives.

The types of data that organisations may collect as part of this step can vary depending on the organisation's specific goals and objectives. Some common types of data include:

- i. **Financial data:** Financial data, such as revenue, expenses, profit margins and cash flow, provide insights into the organisation's financial performance. This data can be used to evaluate the effectiveness of the organisation's pricing strategies, cost management practices and investment decisions.
- ii. **Customer feedback:** Customer feedback, such as satisfaction ratings, reviews and complaints, can provide insights into the organisation's products, services and overall customer experience. This data can be used to evaluate the effectiveness of the organisation's customer service strategies and identify areas for improvement.

iii. Employee engagement surveys: Employee engagement surveys can provide insights into the organisation's culture, leadership and employee satisfaction. This data can be used to evaluate the effectiveness of the organisation's human resources strategies and identify areas for improvement.

iv. Market research: Market research, such as industry trends, competitor analysis and customer demographics, can provide insights into the organisation's market position and competitive landscape. This data can be used to evaluate the effectiveness of the organisation's marketing strategies and identify opportunities for growth.

Once the data has been collected, it must be analysed to identify patterns, trends and areas of strength and weakness. This analysis may involve comparing the data to industry benchmarks, conducting statistical analysis and identifying correlations between different data sets. Collecting data on the organisation's performance is a critical step in strategic evaluation, as it provides the information needed to evaluate the effectiveness of the organisation's strategies and tactics. By analysing this data, organisations can identify areas for improvement and make informed decisions to improve their performance over time.

◆ Provide information

Step 3: Analysing data

The step referred to in the statement involves analysing the data collected in the previous step to assess the organisation's performance in relation to its strategic goals and objectives. This analysis is a critical part of strategic evaluation, as it provides insights into how well the organisation is doing in achieving its long-term goals and objectives. To conduct this analysis, organisations may use a range of tools and techniques, such as SWOT analysis, balanced scorecards and benchmarking. These methods can help organisations identify areas of success, as well as areas where the organisation has fallen short, by comparing their performance to established standards, best practices, or industry benchmarks.

◆ Performance Data Analysis

Areas of success may include achieving or exceeding targets related to financial performance, customer satisfaction, employee engagement or market share. These successes may be attributed to effective strategic planning, well-executed strategies and tactics or a strong organisational culture. Areas where the organisation has fallen short, may include meeting financial targets, declining customer satisfaction, high employee turnover or losing market share to competitors. These areas of weakness may be attributed to ineffective strategic planning, poor execution of strategies and tactics or a weak organisational culture.

◆ Identifying Strengths & Weaknesses



◆ Strategic Improvement

The purpose of analysing the data collected in the previous step is to identify the organisation's strengths and weaknesses in relation to its strategic goals and objectives. This information can be used to make informed decisions about future strategic planning, identify areas for improvement and take corrective action to improve the organisation's performance over time.

Step 4: Identifying strengths and weaknesses

◆ Competitive Advantage Identification

Based on the data analysis conducted in the previous step of strategic evaluation, the organisation should identify its strengths and weaknesses in relation to its strategic goals and objectives. This is a critical step in the strategic evaluation process as it provides a clear understanding of the organisation's performance and enables the organisation to make informed decisions about its future strategic direction. The identification of strengths involves recognizing areas where the organisation is performing well and has a competitive advantage. For example, the organisation may have a strong brand recognition, a loyal customer base, a highly skilled workforce or a unique product or service to offer. Identifying strengths is important because it helps the organisation understand what it is doing well and it can be leveraged to maintain a competitive advantage.

◆ Performance Gap Analysis

On the other hand, the identification of weaknesses involves recognizing areas where the organisation is not performing well or where it is facing challenges. These may include areas such as declining sales, poor customer satisfaction, low employee morale or inefficient operations. Identifying weaknesses is important because it helps the organisation understand what it needs to improve upon to achieve its strategic goals and objectives. Once the organisation has identified its strengths and weaknesses, it can then use this information to determine areas where it needs to improve. For example, if the organisation has identified low employee morale as a weakness, it may need to focus on improving its human resources practices or enhancing its organisational culture. Similarly, if declining sales is identified as a weakness, the organisation may need to adjust its marketing strategies or review its pricing strategy.

Step 5: Developing recommendations

Based on the findings of the analysis conducted in the previous steps of strategic evaluation, the organisation should develop recommendations for improving its performance in relation to its strategic goals and objectives. These recommendations are critical as they provide guidance for the organisation to take corrective action and improve its performance over time. The recommendations may include changes to the organisation's strat-

◆ Strategic Action Planning

egies or tactics. For example, if the analysis revealed that the organisation is losing market share to competitors due to a lack of innovation, the recommendation may be to invest in research and development to create new and innovative products or services. Alternatively, if the analysis revealed that the organisation is failing to achieve its financial targets, the recommendation may be to review pricing strategies or to implement cost cutting measures.

◆ Strategic Improvement

The recommendations may also include changes to the organisation's organisational structure, processes or systems. For example, if the analysis revealed that the organisation's processes are inefficient and are hindering its ability to deliver products or services, the recommendation may be to review and streamline the processes. Alternatively, if the analysis revealed that the organisation's organisational structure is hindering collaboration and communication, the recommendation may be to restructure the organisation to promote greater collaboration and communication. The recommendations developed by the organisation should be specific, measurable, achievable, relevant and time bound (SMART). This ensures that the recommendations are practical and realistic and that they can be implemented effectively. The recommendations should also be aligned with the organisation's strategic goals and objectives to ensure that they support the organisation's long term vision and mission.

◆ Strategic Implementation

Step 6: Implementing changes

Once the recommendations have been developed based on the findings of the strategic evaluation, the next step is to implement the changes necessary to improve the organisation's performance in relation to its strategic goals and objectives. The implementation phase is critical as it involves putting the recommendations into action and ensuring that they are effective in achieving the desired outcomes. The implementation phase may involve making changes to the organisation's strategies, tactics, processes or systems. For example, if the recommendation is to invest in research and development to create new and innovative products or services, the organisation may need to allocate resources to support this initiative. Alternatively, if the recommendation is to streamline the organisation's processes to improve efficiency, the organisation may need to restructure its operations and workflows.

◆ Change Management

Implementing changes may also require investing in new resources or capabilities. For example, if the recommendation is to improve the organisation's marketing efforts to increase customer engagement, the organisation may need to invest in new marketing tools and technologies or hire additional marketing personnel with the required skills and experience. During the im-



plementation phase, it is important to monitor progress and make adjustments as necessary. This involves tracking the implementation of the recommendations and assessing their effectiveness in achieving the desired outcomes. If the implementation does not achieve the desired results, adjustments may need to be made to the recommendations or the implementation process. The implementation phase requires strong leadership, effective communication and a commitment to continuous improvement. The organisation should be prepared to invest time, resources and effort into implementing the recommendations and ensuring that they are effective in achieving the desired outcomes.

4.3.5 Criteria for Strategic Evaluation

Strategic evaluation is a critical process of assessing an organisation's performance in relation to its long term goals and objectives. The criteria for strategic evaluation may vary depending on the organisation's industry, goals and objectives. However, some common criteria for strategic evaluation include:

- v. **Alignment with the organisation's mission and vision:** The organisation's strategies and tactics should be aligned with its overall mission and vision to ensure that they contribute to the achievement of its long-term goals.
- vi. **Achievement of objectives:** The organisation's strategies and tactics should be evaluated based on their effectiveness in achieving the desired outcomes and objectives. This requires setting clear, measurable objectives and tracking progress towards achieving them.
- vii. **Use of resources:** The organisation's strategies and tactics should be evaluated based on their efficient use of resources, including time, money and personnel. This requires assessing the costs and benefits of each strategy and tactics to determine their overall value.
- viii. **Customer satisfaction:** The organisation's strategies and tactics should be evaluated based on their impact on customer satisfaction and loyalty. This requires collecting customer feedback and using it to improve the organisation's products, services and overall customer experience.
- ix. **Competitive advantage:** The organisation's strategies and tactics should be evaluated based on their ability to create a sustainable competitive advantage in the marketplace. This requires assessing the organisation's strengths and weaknesses relative to its competitors and developing strategies that leverage its strengths while addressing its weaknesses.

- x. **Innovation:** The organisation's strategies and tactics should be evaluated based on their ability to foster innovation and creativity within the organisation. This requires encouraging experimentation and risk taking while maintaining focus on the organisation's long term goals and objectives.

The criteria for strategic evaluation should be specific to the organisation's goals, objectives and industry. By evaluating its strategies and tactics against these criteria, the organisation can identify areas for improvement and make data driven decisions to improve its performance and achieve its long-term goals.

4.3.6 Implementation of Strategy

The implementation of strategy is the process of putting an organisation's strategic plans into action. It involves translating high level strategic goals and objectives into specific action steps that can be taken by the organisation to achieve those goals.

For example, if an organisation's strategic goal is to increase revenue by 20% in the next fiscal year, the implementation plan may involve specific action steps such as launching a new product line, expanding into new markets, increasing marketing and advertising efforts and improving customer service to retain existing customers.

The implementation of strategy requires a detailed plan that outlines the specific action steps required to achieve the organisation's strategic goals. This plan should identify the resources, timelines and responsibilities for each action. In addition, the implementation of strategy requires effective communication to ensure that all stakeholders, including employees, partners, customers and investors, understand the organisation's strategic goals and objectives and their role in achieving them. Clear and frequent communication helps to ensure that everyone is working towards the same goals and understands how their work contributes to the organisation's overall success.

4.3.6.1 Process of Implementation of Strategy

The implementation of strategy typically involves the following steps:

Step 1: Develop an implementation plan

Developing a detailed plan is a crucial step in the implementation of strategy. This plan outlines the specific steps required to achieve the organisation's strategic goals and objectives. The plan should be based on a thorough understanding of the organisation's current situation, including its strengths, weaknesses, opportunities and threats. The plan should include specific, mea-

◆ Plan into action

◆ Action & Communication

◆ Strategic Action Plan

asurable and achievable goals and objectives that are aligned with the organisation's overall strategic goals. The action steps should be broken down into smaller, more manageable tasks and should be assigned to specific individuals or teams with clear timelines and responsibilities.

◆ Resource Allocation & Flexible Timeline

In addition, the plan should identify the resources that will be required to achieve the strategic goals, including financial resources, personnel, technology and equipment. The plan should also include a timeline that outlines when each action step will be completed and when the overall strategic goal will be achieved. It is important to note that the plan should be flexible and adaptable to changing circumstances. As the implementation of strategy progresses, there may be changes in the organisation's internal and external environment that require adjustments to the plan.

Step 2: Communicate the plan

Communication is a crucial element of the implementation of strategy. Once the implementation plan has been developed, it is important to communicate it effectively to all stakeholders. This includes employees, partners, customers and investors.

◆ Shared Understanding

Effective communication ensures that everyone involved in the implementation process understands the organisation's strategic goals and objectives as well as the specific action steps that need to be taken to achieve them. This helps to create a shared understanding of the organisation's priorities and promotes alignment between different teams and departments. Effective communication also helps to build trust and confidence among stakeholders. When stakeholders are kept informed about the implementation plan and progress towards achieving the strategic goals, they are more likely to feel engaged and invested in the process. This can lead to increased motivation and commitment among employees, as well as greater support from partners, customers, and investors. There are various ways to communicate the implementation plan to stakeholders. One approach is to hold regular meetings in town halls where progress is shared and questions can be asked. Other methods include newsletters, emails, social media updates or webinars.

◆ Actionable Ownership

Step 3: Assign responsibilities

Assigning specific individuals or teams to each action step is a critical aspect of the implementation of strategy. This helps to ensure that there is clear accountability for each action step and that progress is being made towards achieving the organisation's strategic goals. When action steps are assigned to specific individuals or teams, it is clear who is responsible for their im-

plementation. This helps to ensure that there is no confusion or overlap and that everyone knows what they need to do. By assigning responsibilities in this way, it is easier to monitor progress and identify potential issues or delays.

Assigning specific individuals or teams to each action step also promotes ownership and accountability. When people are responsible for specific tasks, they are more likely to take ownership of them and work towards achieving them. This helps to create a sense of ownership and engagement among employees, which can be essential for the successful implementation of strategy. In addition, assigning specific individuals or teams to each action step can help to promote collaboration and teamwork. When people work together on specific tasks, they are more likely to share knowledge, skills and resources, which can help to improve the quality and effectiveness of the implementation process.

◆ Individual Responsibility & Collaboration

Step 4: Monitor progress

Monitoring progress towards the achievement of strategic goals and objectives involves tracking and measuring KPIs and metrics that are aligned with the organisation's strategic goals. KPIs are specific measurements that indicate the organisation's performance in key areas, while metrics are more general measurements that track progress towards overall goals. To monitor progress effectively, organisations need to establish a system for collecting and analysing data on their KPIs and metrics. This system should be designed to provide regular updates on performance and identify areas where the organisation is falling short.

◆ KPI & Metric Tracking

For example, if an organisation's strategic goal is to increase customer satisfaction, the KPIs and metrics that could be used to track progress might include customer satisfaction scores, customer retention rates and customer feedback surveys. By regularly collecting and analysing data on these KPIs and metrics, the organisation can determine whether it is making progress towards its strategic goal and identify areas where improvements are needed.

◆ Communication of Progress

The results of monitoring progress should be communicated to all stakeholders to ensure that everyone is aware of the organisation's performance and the progress being made towards its strategic goals. If the results indicate that the organisation is not making sufficient progress towards its strategic goals, adjustments to the implementation plan may be necessary.

Step 5: Make adjustments

The implementation of strategy is an ongoing process that may encounter obstacles and challenges along the way. To en-

◆ Adapting to Challenges

sure the success of the implementation, it is important to be flexible and make adjustments to the implementation plan as needed. This requires a willingness to adapt to changing circumstances and to revise the plan based on new information or feedback. One of the main reasons for making adjustments to the implementation plan is to address unforeseen obstacles or challenges that arise during the implementation process. These obstacles may be related to internal factors, such as a lack of resources or expertise or external factors, such as changes in the market or regulatory environment. By being flexible and making adjustments to the plan, organisations can overcome these obstacles and continue to make progress towards their strategic goals.

◆ Improving Implementation Effectiveness

Another reason for making adjustments to the implementation plan is to improve the effectiveness of the plan. As the implementation progresses, it may become clear that certain tactics or strategies are not as effective as originally thought. By making adjustments to the plan, organisations can improve its effectiveness and increase the likelihood of achieving their strategic goals. In some cases, adjustments to the implementation plan may involve revising timelines, reallocating resources or changing tactics to better align with the organisation's strategic goals. For example, if a specific action step is not progressing as planned, it may be necessary to revise the timeline or allocate additional resources to ensure that it is completed on schedule. Similarly, if a particular strategy is not producing the desired results, it may be necessary to change tactics or adopt a different approach to achieve the organisation's strategic goals.

◆ Evaluating Implementation Success

Step 6: Evaluate results

Once the implementation plan has been completed, the organisation should conduct an evaluation to determine if the plan was successful in achieving the strategic goals and objectives. The evaluation process involves comparing the actual outcomes achieved against the desired outcomes specified in the strategic plan. To conduct a thorough evaluation, the organisation should gather and analyse data on key performance indicators (KPIs) and other relevant metrics. This data can be compared to the targets established in the strategic plan to determine if the organisation has achieved its goals. For example, if the organisation's strategic goal was to increase market share by 10%, the evaluation process would involve analysing market share data to determine if the organisation achieved the 10% increase target.

◆ Learning from Implementation

If the organisation did not achieve its strategic goals, it is important to identify the reasons for the shortfall. This may involve conducting a root cause analysis to determine if there were issues with the implementation plan, if external factors impacted

performance or if there were other factors that contributed to the shortfall. Based on the results of the evaluation, the organisation can make adjustments to the implementation plan and revise its strategies and tactics as necessary. This helps to ensure that the organisation remains aligned with its strategic goals and objectives and can continue to make progress towards achieving them.

4.3.6.2 Problems / Issues of implementation

The implementation of strategy can be a complex and challenging process, and organisations may encounter several issues that can hinder their ability to successfully implement their strategic plans. Some common issues of implementation of strategy include:

- i. Lack of clear communication:** Failure to effectively communicate the organisation's strategic goals and objectives can lead to confusion and misunderstandings among employees and stakeholders. This can result in a lack of alignment and a failure to achieve the intended outcomes.
- ii. Resistance to change:** Implementing a new strategy often requires significant changes to the organisation's processes, systems and culture. Employees and stakeholders may be resistant to these changes, leading to delays or resistance to the implementation of the strategy.
- iii. Insufficient resources:** Implementing a new strategy may require additional resources, including financial, human and technological. If these resources are not available or are not allocated appropriately, the implementation of the strategy may be compromised.
- iv. Lack of alignment:** The implementation of strategy requires alignment across different levels and functions of the organisation. If there is a lack of alignment, different departments may work towards different goals, leading to a lack of coordination and a failure to achieve the desired outcomes.
- v. Inadequate monitoring and evaluation:** Without adequate monitoring and evaluation of the implementation process, it may be difficult to identify issues and make necessary adjustments. This can lead to a failure to achieve the desired outcomes and a waste of resources.
- vi. Failure to adapt to changing circumstances:** The business environment is constantly changing, and organisations may encounter unexpected challenges or opportunities during the implementation of their strategic plans. Failure to adapt to these changes can lead to a failure to achieve the desired outcomes.

Addressing these issues requires careful planning, effective communication and a willingness to adapt to changing circumstances. Organisations must also be prepared to invest the necessary resources to support the implementation of their strategic plans.

4.3.7 Pre and Post Implementation

Pre-implementation refers to the activities that take place before the implementation of a strategy or project. It involves the planning and preparation necessary to ensure that the implementation process goes smoothly and is successful. Some of the key activities in the pre-implementation phase include:

- i. **Strategic planning:** This involves the development of a clear and actionable strategy that outlines the organisation's goals, objectives and the action required to achieve them.
- ii. **Resource allocation:** This involves the identification and allocation of the necessary resources, such as people, finances and technology, to support the implementation of the strategy.
- iii. **Risk assessment:** This involves identifying potential risks and challenges that could impact the implementation of the strategy and developing plans to mitigate or manage those risks.
- iv. **Communication planning:** This involves developing a communication plan to ensure that stakeholders are aware of the strategy, its objectives and the expected outcomes.

Post-implementation refers to the activities that take place after the implementation of a strategy or project. It involves the evaluation of the implementation process and the results achieved. Some of the key activities in the post-implementation phase include:

- i. **Performance evaluation:** This involves the evaluation of the results achieved and the identification of areas for improvement. Key performance indicators (KPIs) should be established during the pre-implementation phase to assess the success of the implementation.
- ii. **Lessons learned:** This involves reflecting on the implementation process and identifying lessons learned that can be applied to future projects or strategies.
- iii. **Reporting:** This involves reporting the results achieved to stakeholders, including senior management, investors and customers.

- iv. **Continuous improvement:** This involves using the insights gained during the post-implementation phase to make improvements to the implementation process and the strategy itself.

Summarised Overview

The strategic evaluation process is to measure the efficiency and effectiveness of strategic decisions. The targeted outcomes of the tactics and choices are identified. For it to accomplish the required organisational goals, the proper channels and directions should be offered. The strategic evaluation and controlling process show whether or not the organisation has achieved its goals. The three primary areas of strategy that the evaluation system has focused on are Possibility, Consistency, and appropriate strategy. The strategy must be suited to the organisation's goals, be framed and developed in accordance with the resources at hand and examined both in the internal and external business environments.

The managing process ensures that corrective actions and strategies are in place to meet corporate goals. It is connected to two ideas: regulating processes to achieve management objectives and setting desired organisational goals through strategic management. The management control system includes operational control. It is intended to keep an eye on daily business operations and examine them frequently to maintain consistency and high production standards in line with the organisation's set goals. For the seamless operation of business activities, it focuses mostly on the most recent event or occurrences in the organisation. Corrective action should be conducted if the desired standard or quality of the business matches the criteria.

Self-Assessment Question

1. Briefly explain the meaning of strategic evaluation.
2. What is the importance of controlling processes in strategic management?
3. Name the steps involved in the Strategic control process.
4. What are the essential features of an evaluation and control system?
5. What are the limitations of the implementation strategy?

Assignments

1. State the need and importance of strategy evaluation.
2. Explain the strategic control process
3. Research and categorize different types of control mechanisms used in strategic management, such as financial controls, operational controls, strategic controls, and cultural controls.
4. Analyze the purpose, scope, and effectiveness of each type of control in ensuring organizational alignment and performance.
5. Discuss examples of companies implementing various types of control mechanisms and their impact on strategic outcomes.

Suggested Reading

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7. Reale, M. (2019). *Inquiry and Research: A Relational Approach in the Classroom*. American Library Association.

Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.



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