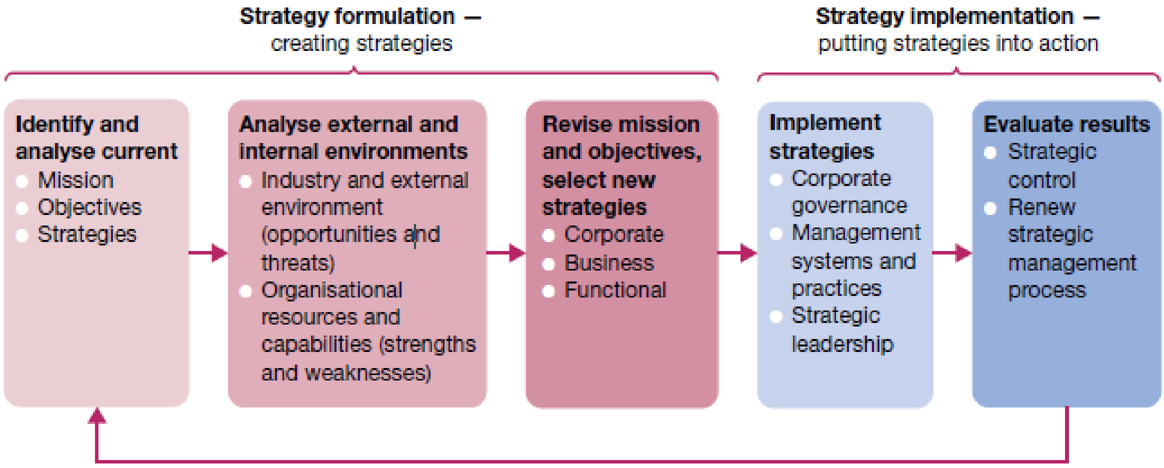
Management Principles

Unit 4 – Important topics and keywords

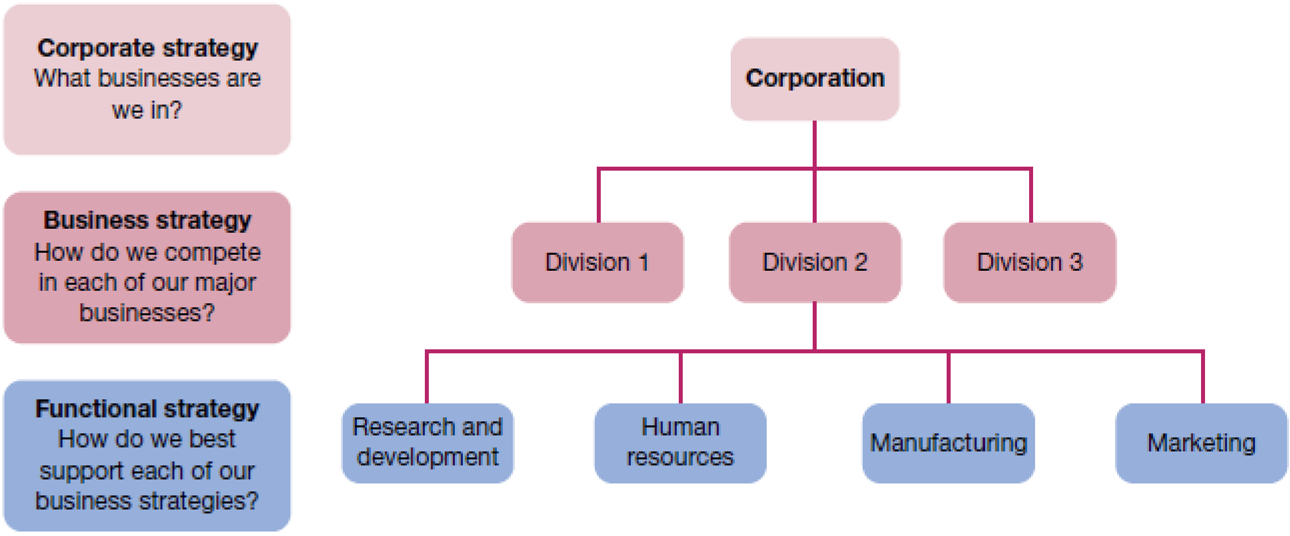
1. Strategic Management

Definition: **Strategic management** is the process of formulating and implementing strategies to accomplish long term goals and sustain competitive advantage.

2. Strategic Management Process



3. Levels of Strategies in Organizations

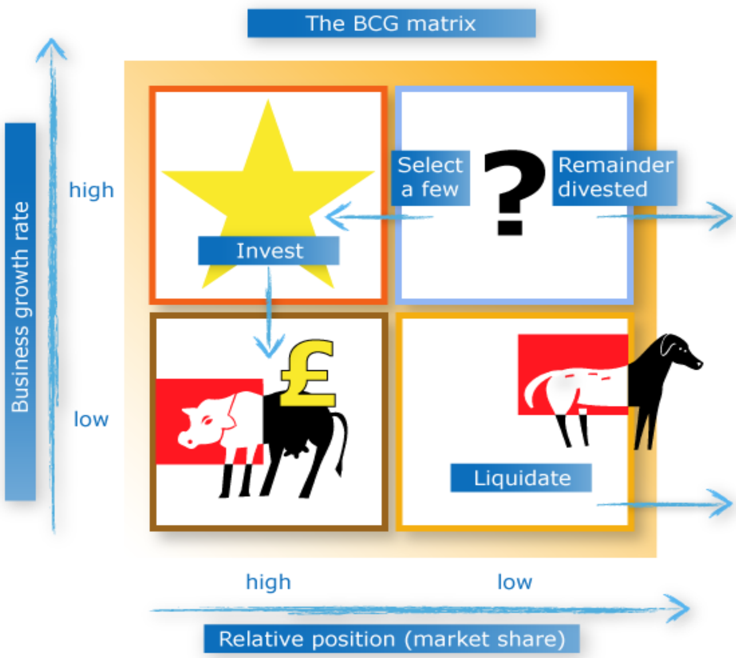


4. SWOT Analysis

SWOT analysis (strengths, weaknesses, opportunities and threats analysis) is a framework for identifying and analyzing the internal and external factors that can have an impact on the viability of a project, product, place or person.

- **Strengths**: Internal attributes and resources that support a successful outcome.
- **Weaknesses**: Internal attributes and resources that work against a successful outcome.
- **Opportunities**: External factors that the entity can capitalize on or use to its advantage.
- **Threats**: External factors that could jeopardize the entity's success.

5. BCG Matrix (or Growth Share Matrix)



Relative market share: Higher corporate's market share results in higher cash returns

$$\text{Relative Market share} = \frac{\text{Your firm's market share (or revenue)}}{\text{Largest competitor's market share (or revenue)}}$$

Market growth rate. High market growth rate means higher earnings and sometimes profits but it also consumes lots of cash, which is used as investment to stimulate further growth

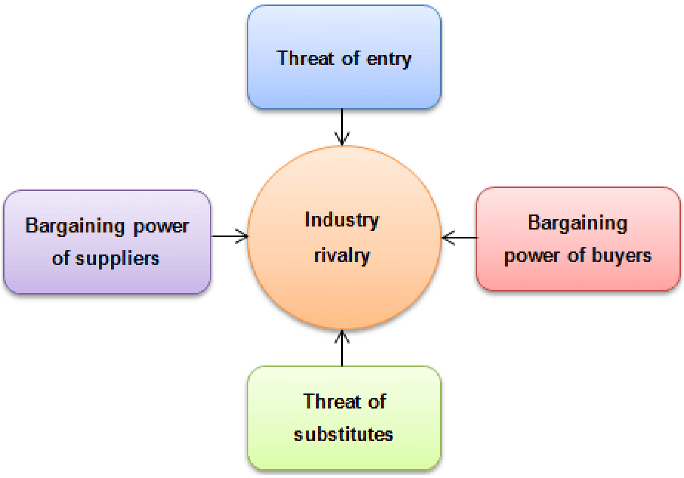
There are four quadrants into which firms brands are classified: Star, Cash Cow, Question mark and Dog

Note: Please explain each category as given in the notes

6. Porter's Five Forces

Porter's five forces model is an analysis tool that uses five industry forces to determine the intensity of competition in an industry and its profitability level.

Five forces model was created by M. Porter in 1979 to understand how five key competitive forces are affecting an industry. The five forces identified are:



Attractive Industry – High profits

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- High barriers to enter
- Weak suppliers bargaining power
- Weak buyers bargaining power
- Few substitute products or services
- Low competition

Unattractive Industry – Low profits

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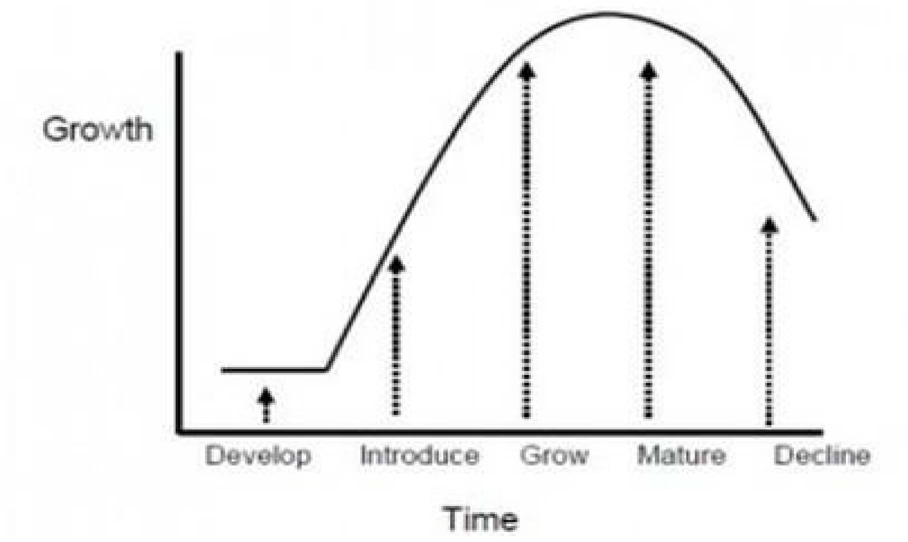
- Low barriers to enter
- Strong suppliers bargaining power
- Strong buyers bargaining power
- Many substitute products or services
- Intense competition

Note: Explain each forces as given in the notes

7. Product Life Cycle



The **product development** phase is the phase in which a company has a new idea for a product. For example, a fast moving consumer goods (FMCG) company comes up with a new idea for a weight loss supplement in the form of a milkshake. During this phase, the company is not making any money, because the product is not actually on the market yet.

In the **introduction** phase, the new milkshake is introduced to the market, probably with a big marketing campaign. While sales of the product slowly start to pick up, the company is still not making a profit, as they are recuperating from their start-up costs.

In the **growth** phase, the milkshake starts to get popular. People who want to lose weight are seeing results from using this product, and the company starts to turn a significant product.

In the **maturity** phase, profits are still good, but are not growing as much as they were in the growth phase, because most people who are interested in this product have already been aware of it and using it since the growth phase. In other words, there are fewer new customers.

In the **decline** phase, sales figures start to drop and less profit is seen. There could be a number of reasons for this. It's possible that a competitor has brought in a new product that has grabbed the attention of the target market, or a perception could develop in the market that the weight loss gains gleaned from this product are temporary.