Module:2 Planning

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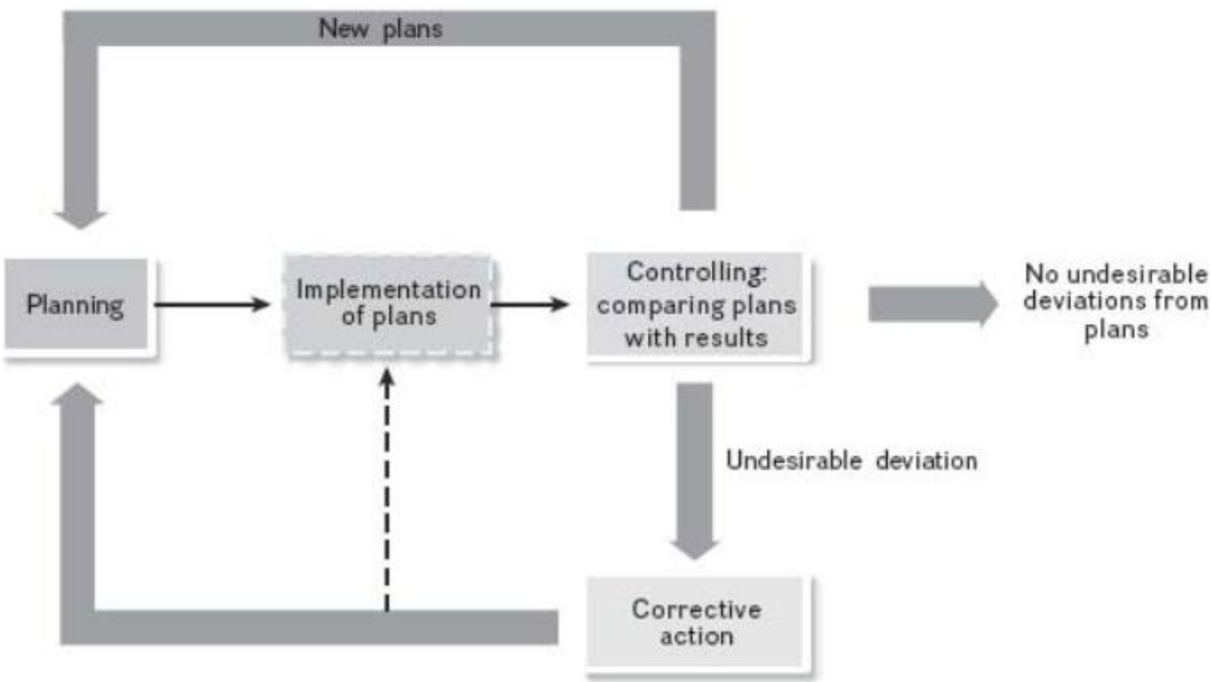
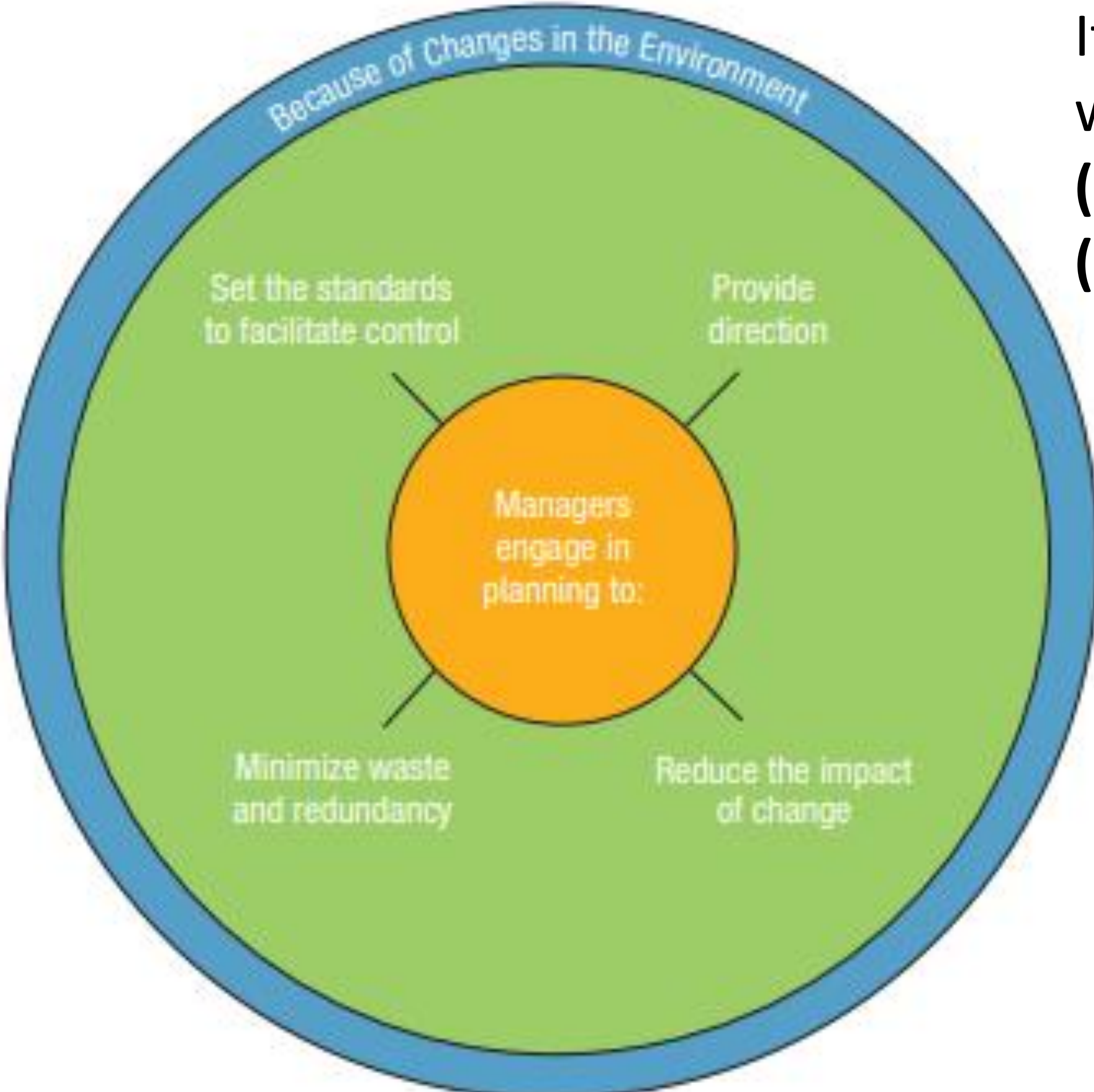
ROYAL CHALLENGERS


T20 WORLD CUP TRIUMPH
TEAM INDIA HOLDS VICTORY PARADE
IN MUMBAI'S MARINE DRIVE
CHAMPIONS
2024

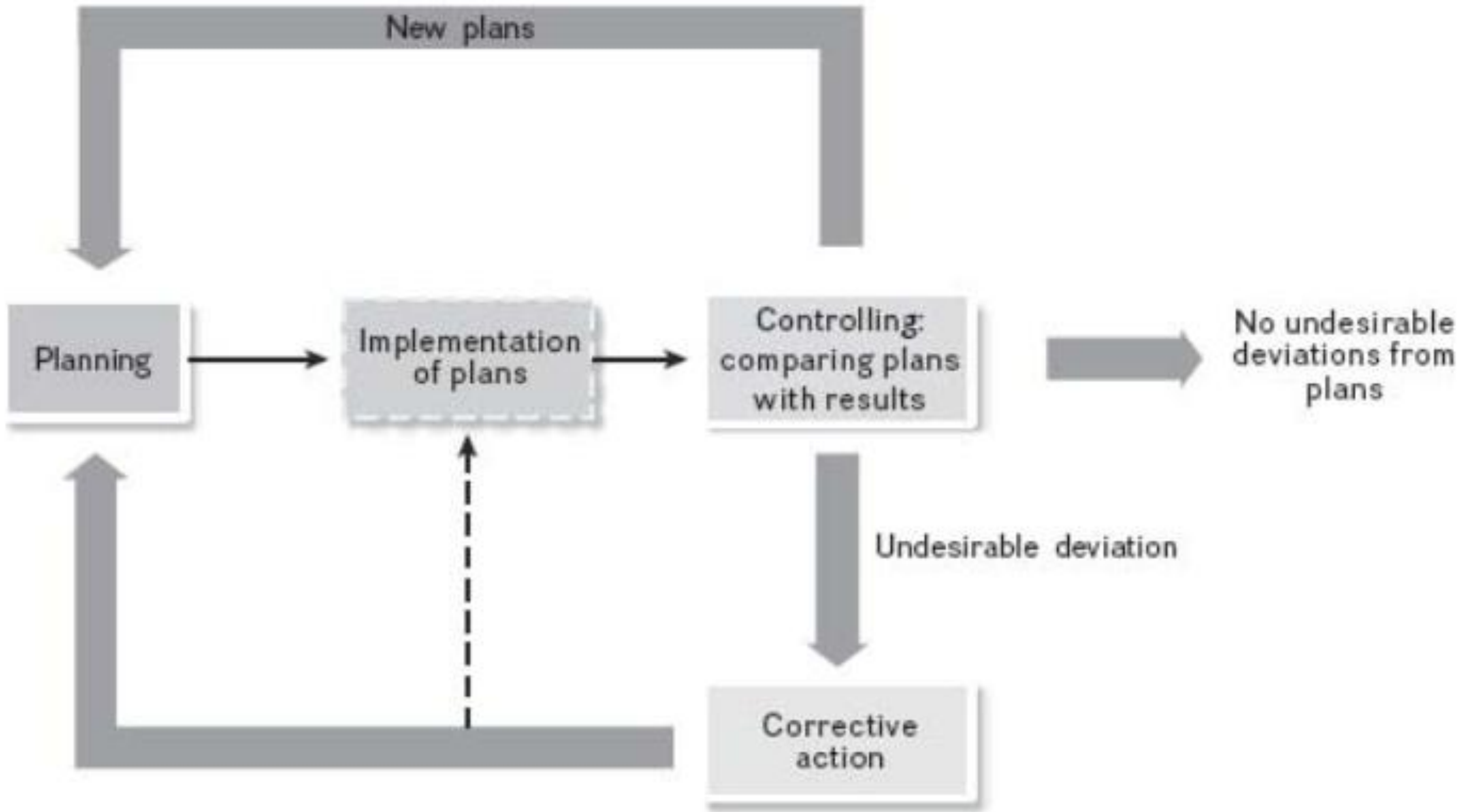

400
35mm color print film
Kodak 400 • 36
PROCESS C-41
400 36exp.


NOKIA


New plans
Planning
Implementation of plans
Controlling: comparing plans with results
No undesirable deviations from plans
Undesirable deviation
Corrective action



It's concerned with **both ends (what) and means (how).**



Close relationship of planning and controlling

What Is Planning?

Planning involves

- defining the **organization's goals** over **a specific time period**,
- establishing **strategies** for achieving those goals (anticipating challenges, efficient use of resources)
- developing **plans to integrate and coordinate work activities (**roadmap to guide all other management functions: organizing, leading, and controlling**)**

GOALS AND PLANS

Planning involves two important aspects: **goals and plans.** When managers involve in planning, **they develop both goals and plans**

Goals (objectives)

- **desired outcomes or targets**
- Goals **guide management decisions** and **form the criteria against which work results are measured**.

Plans

- **documents that outline how goals are going to be met**
- **Plans** usually include **resource allocations, schedules, and other necessary actions to accomplish the goals**

You have to know the desired target or outcome **(goals)** before you can **establish plans** for achieving it.

Types of Goals

- It might **seem** that organizations **have a single goal**.
- Businesses want to make a profit and not-for-profit organizations want to meet the needs of some constituent group(s).
- However, **a single goal can't adequately define** an organization's success.
- And if managers emphasize only one goal such as profit , ignoring other goals essential for long-term success, this may result in **unethical behaviors because managers and employees will ignore other aspects of their jobs** in order to look good on that one measure .

- In reality, all organizations have multiple goals.
- For instance, businesses may want **to increase market share**, **keep employees enthused about working for the organization**, and **work toward more environmentally sustainable practices.**

Ford Pinto

specifically on **cost-cutting (profit) and speed to market**, at the expense of safety

The Ford Pinto case is a stark example of how a manager's focus **on a single, aggressive goal (cost and time to market) can lead to devastating consequences in other critical areas like safety, customer trust, brand reputation, and long-term financial health**. The short-term "win" of launching a cheap car quickly turned into a long-term nightmare for Ford.

- We can classify most company's goals as **either strategic or financial**.
- Financial goals are related to the financial performance of the organization, while strategic goals are related to all other areas of an organization's performance.

Strategic goal from the United Nations World Food Programs: to **ensure that no child goes to bed hungry**

Strategic of TATA motors	Financial (TATA motors)
Electric Vehicle Leadership :aiming for Evs, 50% of their portfolio by 2030.	**Market Share:** Aiming for a **16% market share in the Indian passenger vehicle market (including EVs) by FY27**
Sustainable mobility : committed to achieving net-zero emissions by 2045 (CVs) and 2040 (PVs) through various initiatives, including renewable energy adoption, charging infrastructure development, and exploring fuel cell technology	Planning to invest Rs 33,000 to Rs 35,000 crore in product development and related actions for FY26-30 **(Investment)**
Global Expansion	
Product Innovation specific to market needs	
Digital Transformation Tata Motors is focused on enhancing the customer experience through digital retail and service solutions	

STATED GOAL & REAL GOALS

- Stated goals are publicly presented objectives, often designed to create a positive image or perception among stakeholders.
- These are intended **to be aspirational and communicate** the organization's desired direction.
- These goals can be found in an **organization's charter, annual report, public relations announcements, or in public statements** made by managers.
- Such statements are **vague and probably better represent management's public relations skills** than being meaningful guides to what the organization is actually trying to accomplish.

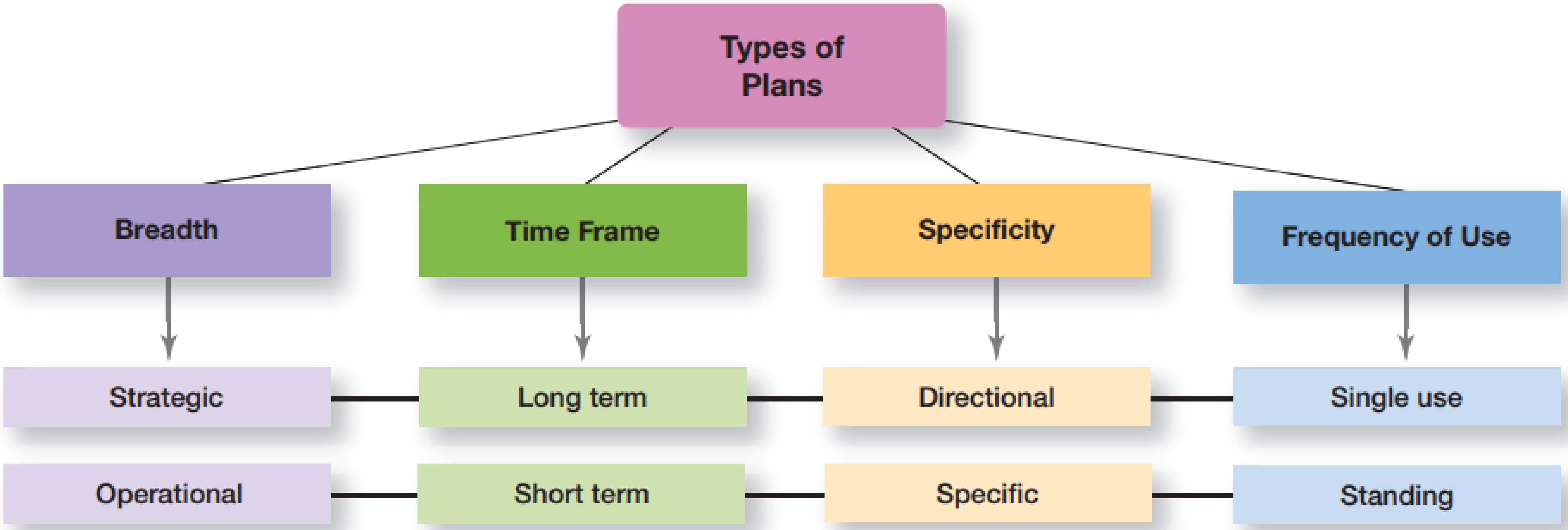
Real goals

These are the true reasons behind an organization's actions, even if they are not explicitly stated (**Underlying motivations**)

A company might state they are committed to "**reducing their carbon footprint by 20% in the next five years".**

The company in this example might actually be motivated by a desire to attract environmentally conscious investors and customers, with the carbon reduction being a tactic to achieve that

Types of Plans



- A strategic plan outlines an **organization's long-term goals** and the **methods to achieve them.**
- Meaning it is the **determination of the basic long-term objectives of an enterprise** and the adoption of **courses of action and allocation of resources necessary** to achieve these goals.
- For example, **Apple's strategic planning often involves innovation and product differentiation, creating a strong brand identity and customer loyalty.**
- This multi-year plan identifies new markets with significant profit opportunity and sets goals for increasing revenue, improving cost efficiencies, and service innovations for future growth.

- Plans that encompass **a particular operational area of the organization** are called **operational plans**.
- These two types of plans differ because strategic plans are broad while operational plans are narrow .

long-term plans
Plans with a time frame beyond three years

short-term plans
Plans covering one year or less

Long term plan of ISRO are **landing a rover on Moon**, **sending humans into space**, **development of a semi-cryogenic engine, sending more uncrewed missions to the Moon, Mars, Venus and the Sun** and **deployment of more space telescopes in orbit to observe cosmic phenomena and outer space beyond the Solar System**, **development of reusable launchers, heavy and super heavy launch vehicles, deploying a space station, sending exploration missions to planets like Jupiter, Uranus, Neptune and asteroids and crewed missions to moons and planets.**

Specific plans are **clearly defined** and leave **no room for interpretation**.

A specific plan **states its objectives in a way that eliminates ambiguity and problems with misunderstanding**.

A manager who seeks to increase his or her unit's work output by 8 percent over a given 12-month period might establish specific procedures, budget allocations, and schedules of activities to reach that goal.

For example, Rolls-Royce's marine equipment business announced a specific plan to save costs by eliminating 800 jobs in several countries, which amounts to 17 percent of its total workforce

- When uncertainty is high, managers must be flexible in order to respond to unexpected changes. In such cases, directional plans are preferable
- **Directional plans** are **flexible plans that set out general guidelines**. They provide focus but don't lock managers into specific goals or courses of action.
- For example, at the Morning Star Company, professional employees **self-manage their relationships with colleagues, customers, and suppliers without specific directions from company executives**. These employees are **simply expected to hold themselves accountable to achieve the company's mission**, which is "**to produce tomato products and services which consistently achieve the quality and service expectations of our customers in a cost effective, environmentally responsible manner**

single-use plan
A one-time plan specifically designed to meet the needs of a unique situation

standing plans
Ongoing plans that provide guidance for activities performed repeatedly

For instance, when Apple wanted to open and expand the number of its stores in India, top-level executives formulated a single-use plan as a guide.

Standing plans include **policies, rules, and procedures**

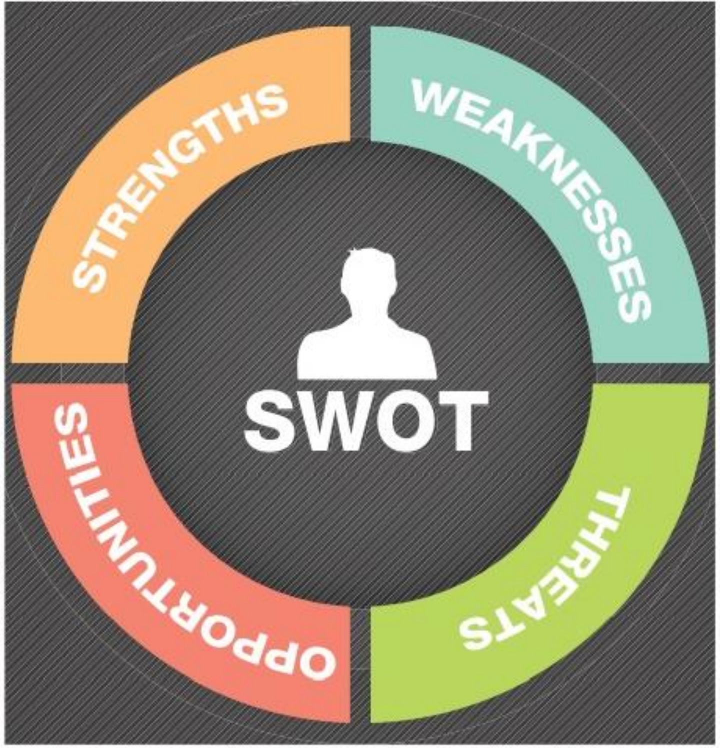
Steps in planning

Being Aware of Opportunities

This is not an actual step in the planning however before going for the planning process **one has to study & find opportunities in the environment (external and internal).**

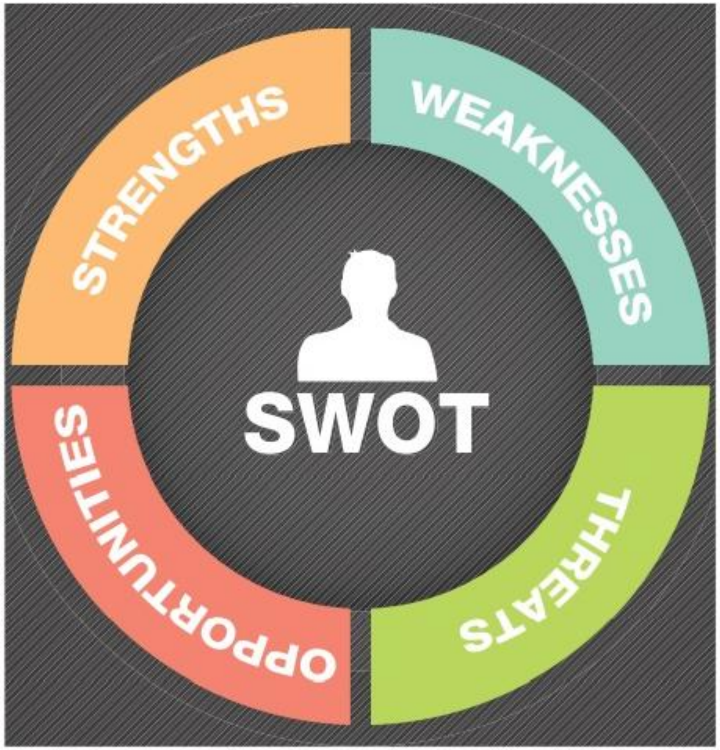
If an opportunity does not exist in the surrounding whole planning process may fail.

All managers should take a preliminary look at possible future opportunities and see them clearly and completely, know where their company stands in light of its strengths and weaknesses, understand what problems it has to solve and why, and know what it can expect to gain. Setting realistic objectives depends on this awareness. Planning requires a realistic diagnosis of the opportunity situation



one has to study legal, political framework or existing position, change in customer mindset change in technology competition, the present position of the industry level.

Internal factors such as resources, capabilities, and processes.



These are elements outside of your control, such as market trends, competition, and government regulations.

External environment includes the study of following

1. Indian Economy.
2. National income availability of natural resources.
3. Availability of natural resources.
4. Political, social, legal technology.
5. Competitors plan –their status in the market.

While **internal environment** includes

1. Availability of the workforce.
2. Availability Of funds cost-effectiveness.
3. Cost-effectiveness.
4. Brand strength.
5. High market share.

Establishing Objectives

The second step in planning is to establish objectives (**what an organization wants to achieve**) for the entire enterprise and then for each subordinate work unit. This is to be done for the long term as well as for the short range.

These goals should be **clear, specific, and measurable**.

A popular framework for this is **SMART** goals: Specific, Measurable, Achievable, Relevant, and Time-bound

e.g. For TATA Steel : **increasing crude steel capacity in India to 40 MnTPA by 2030**

Present capacity : 21.7 MT in FY2025

Considering planning premises

- Planning premises are the **anticipated environment in which the plans are expected to operate.** These include **assumptions and forecasts** in the future and knowing conditions that will affect the course of the plan.
- Planning premises may be classified:
  - as internal and external premises
  - controllable, semi-controllable (**labor relations or the company's market share**), and uncontrollable premises (e.g. **natural disasters, changes in a country's political climate**)
  - tangible (**e.g. a sales forecast of "10,000 units per month**) and intangible premises (**e.g. employee morale, or public opinion**)

Internal Premises: These are assumptions about factors within the organization that are **generally under the management's control**. Examples include:

•**Sales forecasts; Availability of financial resources (capital); Employee skills and motivation; Company policies and procedures; Production capacity**

External Premises: These are assumptions about factors outside the organization that are **largely beyond the management's control**. These are the more uncertain premises. Examples include:

•**Economic conditions (e.g., inflation, interest rates); Government policies and regulations; Technological changes and innovations; Competitors' actions; Social and cultural trends; Natural calamities**

Example : The Challenge: Transitioning to Evs by GM

Extrenal	Internal
Government Regulations (strict emission norms for ICE, incentive on EV purchase)	Financial Resources (ready to to invest the billions of dollars required to build new EV factories and retool existing ones
Consumer Behavior (more concern about environment and prefer technologically advanced vehicles	Technological Capability (engineering teams can successfully develop a new EV platform, battery technology, and software)
Competitor Actions (highly completive)	Supply Chain Management (continuous supply of batteries and semiconductors)
Raw Material Costs (volatile but manageable, no sudden hike)	Brand Reputation (their strong brand reputation for reliability and quality,)

Identifying the alternative course of action

- Once objectives are set, assumptions are made.
- Then the next step is **to determine alternative courses of action** through which the organization can achieve its objectives .
- In order to identify the various alternative courses of action, it is required to collect **all necessary information** from all sources. **The only information which is directly and strategically related to the achievement of the desired objective should be considered**.
- For every plan, there are several options. **All the alternative courses of action should be identified**.

These alternatives represent different ways to leverage their existing strengths and address their weaknesses.

1. The Multi-Pathway Approach: Hybrids and Hydrogen (Expanding the Hybrid Lineup and Investing in Hydrogen Fuel Cells:)
2. Strategic Partnerships and Acquisitions (Partnering with Tech Companies, Acquiring EV Startups)
3. Focused Niche Market Strategy (Commercial Fleets, Luxury and Performance EVs)

Evaluating Alternative Course of Action

Once the alternative course of action are identified, the next step is to **evaluate the same**. Evaluation means studying the merits and demerits of each alternative. Each alternative should be closely studied to determine its suitability

Every alternative is evaluated in terms of **lower cost, lower risks, and higher returns, <u>within the planning premises and within the availability of capital</u>**

Choosing the best alternative

- The best plan, **which is the most profitable plan and with minimum negative effects**, is adopted and implemented.
- In such cases, the manager's experience and judgment play an important role in selecting the best alternative.
- Occasionally, an analysis and evaluation of alternative courses will disclose that two or more are advisable, and the manager may decide to follow several courses rather than the one best course

Formulation of supporting plans

Once the best alternative or plan is selected a **various supporting plan are prepared to support the main plan like as**

- Buying of raw material, key components etc.
- Recruitment of new staff
- Training of staff
- Advertisement plan

Implementing the plan

This step is concerned **with transforming the plan into action. The plan must be communicated to the employees in detail**.

This, in turn, will help to secure cooperation from them.

Useful suggestions from employees must be considered, and they should be motivated to execute the plan to the fullest of their abilities

For example, Laptop company . starts hiring more salesmen in the company to contact and connect with more MNCs. The company will start creating more interesting advertisements on the online platform. They will establish more service workshops in various cities

What Is Strategic Management?

Take an example of cell phone industry

Blackberry successfully sold cellular products in the 1990s that appealed to the business market.

In 2007, the introduction of Apple's iPhone posed a significant threat to Blackberry's success.

The **quality of the iPhone's hardware was vastly superior** to Blackberry smartphones, and Apple **enabled developers to create a diverse set of apps**, making the iPhone more appealing to a broader audience. However, Blackberry **stayed the course by focusing on business enterprise and it made little effort to help developers create apps for the Blackberry operating system**. It's not surprising that, today, the iPhone accounts for more than **40 percent of the U.S. market while Blackberry's share is less than 1 percent**. Why the difference in performance? Because of **different strategies and competitive abilities**.

- **Strategic management** means **to develop the organization's strategies, involving all the basic management functions—planning, organizing, leading, and controlling**.
- What are an organization's **strategies** ***means 1. plans for how the organization will do whatever it's in business to do, 2. how it will compete successfully, and 3. how it will attract and satisfy its customers in order to achieve its goals***
- It's about looking **at both the company's internal capabilities and the external environment** to create a plan that gives it a competitive edge. It's **not a one-time event**; it's a continuous cycle of **planning, acting, and reviewing.**

As managers think about strategies, they need to think about the economic viability of their company's **business model**

One term often used in strategic management is **business model**, which simply is how a company is going to make money.

It focuses on two things:

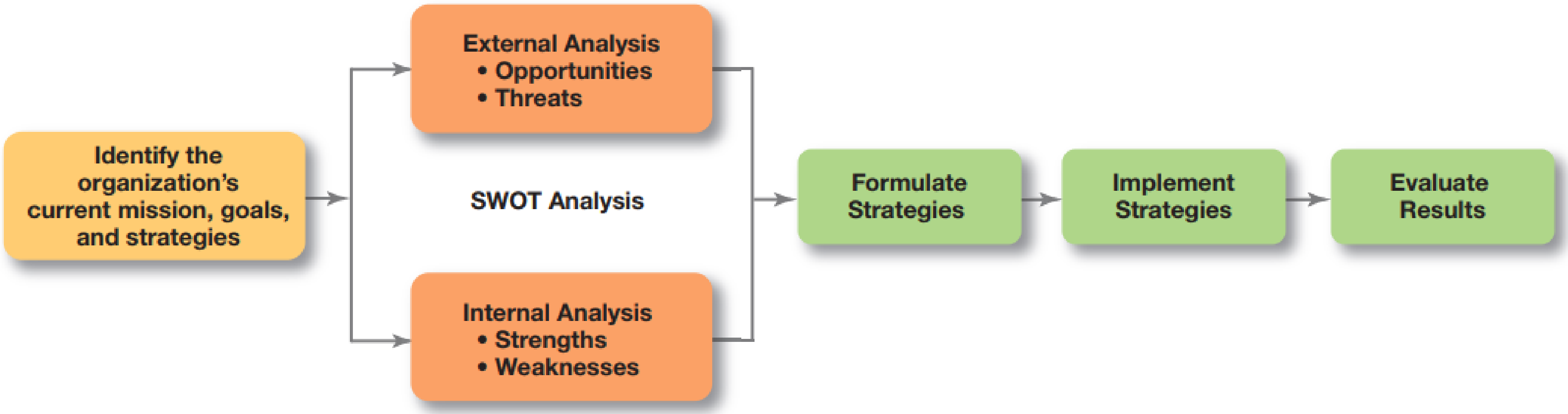
(1)whether **customers will value what** the company is providing and

(2) whether the **company can make any money** doing that

Why is strategic management so important?

- Organizations that use strategic management do have **higher levels of performance**
- Manager can cope **with this uncertainty by** using the strategic management process to examine relevant factors and decide what actions to take.
- Strategic management helps each part of organizations to work together toward achieving the organization’s goals

Strategic Management Process



Mission : To provide stylish, high-quality, and ethically made clothing

SWOT Analysis:

Strengths: Strong brand reputation for style

Weakness : Limited online presence, high production costs due to ethical Sourcing.

Opportunities: Growing e-commerce market, increasing consumer demand for sustainable fashion.

Threats: Intense competition from fast-fashion brands that offer lower prices

- **Strategic Goal:** To become **a leading online retailer of sustainable clothing**.
- **Strategic Plan:** The company decides to invest in a new e-commerce platform and launch a marketing campaign highlighting their sustainable practices

Strategy Implementation (Acting) : This is where the plan is put into action.

Resource Allocation: (allocation of budget, hiring web developers/ digital marketers/ a new Head of Sustainability)

Organizational Structure: dedicated "Digital and E-commerce" department to manage the online store and a "Sustainability" team to ensure all products meet ethical standards.

Motivation: incentives for employees who contribute to the new strategic goals.

3. Strategy Evaluation and Control (Reviewing): After some time, review the progress.

1. Measuring Performance: {key performance indicators (KPIs) i.e. online sales growth, website traffic, and customer engagement on social media]

Compare with standards set during planning : online sales are growing, but not as fast as anticipated

Look for reason for variation a new competitor is offering similar sustainable products at a slightly lower price point.

Corrective Action: such as limited time discounts, to run targeted digital ads in new markets. blogging and a social media campaign to educate customers on the value and quality of their products, justifying the higher price point.

Step 1: Identifying the Organization's Current Mission, Goals, and Strategies

Every organization needs a **mission**—a statement of its purpose.

It has three core components: the **purpose (why)**, the **business (what)**, and the **values (how)**

Customers:	Who are the firm's customers?
Markets:	Where does the firm compete geographically?
Concern for survival, growth, and profitability:	Is the firm committed to growth and financial stability?
Philosophy:	What are the firm's basic beliefs, values, and ethical priorities?
Concern for public image:	How responsive is the firm to societal and environmental concerns?
Products or services:	What are the firm's major products or services?
Technology:	Is the firm technologically current?
Self-concept:	What are the firm's major competitive advantage and core competencies?
Concern for employees:	Are employees a valuable asset of the firm?

Components of a Mission Statement

Some mission statements

Tesla	**To accelerate the world's transition to sustainable energy**
TED	Spread ideas
Linkedin	To connect the world's professionals to make them more productive and successful
PayPal	To build the web's most convenient, secure, cost-effective payment solution
Amazon	To be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices
Nike	Bring inspiration and innovation to every athlete in the world.* *If you have a body, you are an athlete."

A mission statement provides perfect clarity behind the "**what," the "who," and the "why," of your company**. The best mission statements are **guidelines by which a company operates**. Everything you do as a company should work toward your mission statement.

Step 2: Doing an External Analysis

In an external analysis, managers should examine the **economic, demographic, political/legal, sociocultural, technological, and global components** to see the trends and changes.

Managers do an external analysis so they know, for instance, **what the competition is doing, what pending legislation might affect the organization,** or what the labor supply is like in locations where it operates.

Once they've analyzed the environment, managers need **to pinpoint opportunities that the organization can exploit and threats that it must counteract** or buffer against. **Opportunities** are positive trends in the external environment; **threats** are negative trends.

Step 3: Doing an Internal Analysis

Internal analysis provides important information about an **organization's specific resources and capabilities .**

An organization's **resources** are its assets—financial, physical, human, and intangible—that it uses to develop manufacture, and deliver products to its customers.

On the other hand, its **capabilities** are its **skills and abilities** in doing the work activities needed in its business.

In short: Resources: what it has to do work ; Capabilities: how it does it work.

- A core competency **refers to a company's set of skills or experience** in some activity, rather than physical or financial assets. It create a company's competitive advantage in the marketplace. e.g. **Netflix**'s core competency is **its data-driven recommendation algorithm** and **vast library of original content**, which gives it a significant advantage in the streaming market.
- After completing an internal analysis, managers should be able to **identify organizational strengths and weaknesses**.
- Any activities the organization **does well or any unique resources** that it has are called **strengths**. **Weaknesses** are activities the **organization doesn't do well** or **resources it needs but doesn't possess**

The combined external and internal analyses are called the **SWOT analysis**, an analysis of the organization's *s*trengths, *w*eaknesses, *o*pportunities, and *t*hreats.

After completing the SWOT analysis, managers are ready to formulate appropriate strategies—that is, strategies that

(1) exploit an organization's strengths and external opportunities,

(2) buffer or protect the organization from external threats, or

(3) correct critical weaknesses.


Strength
Weakness
Threats
Opportunities
SO
Maxi-Maxi Strategies
WO
Mini-Maxi Strategies
ST
Maxi-Mini Strategies
WT
Mini-Mini Strategies


INTERNAL
strengths
Brand identity
Pioneer advantage
Cost advantage
Continuous business improvement
weaknesses
Low profit margins
Seasonality
POSITIVE
NEGATIVE
opportunities
Diversification of e-commerce business
Continues to increase awareness of its own branded products and services
Expansion of local businesses
Promotion of strategic cooperation with affiliated industries
threats
Loss of profits due to low profit margins
Patent infringement
E-commerce industry barriers
Cybersecurity issues
EXTERNAL

• Apple has **high standards of products** and services, which makes it the **most trusted brand image** • The organization has **high liquidity and profitability** owing to its massive financial strength • The **supply chain is highly sophisticated and innovative** • **Premium and efficient products** guarantee high sales, **high profit margins** and **A loyal customer base**	• Prices are high and don't aim to compete with other brands • Range of products is narrow • Products and services are exclusive and hence non-compatible with other brands
• The demand for newer electronic gadgets, especially smartphones, is constantly growing, irrespective of the prices	• Competitors keep emerging and challenging apple • Manufacturing costs are constantly rising • Personal computer sales have fallen which has affected apple's market share

Example Of Apple

• vast network of supply and distribution across the country • Affordable products • Better solvency due to its large asset base • Huge profit reserves to finance capital expenditures • Diversified workforce in manufacturing and qualified professionals in management	• Lesser expenditure on R&D • high cost of inventory • Poor cash flow due to inadequate management of cash • higher employee turnover
• Nestle can use technology to automate operations and reduce costs • use the internet and social media to tap into e-commerce • Increasing population means more demand for milk and milk products	• A growing threat from competitors who have a technological advantage over nestle • High bargaining power of suppliers has added to costs • Changing consumer tastes put pressure on the organization to evolve constantly

Example Of Nestle

Example : Coca-Cola TOWS Analysis

1. Strong brand recognition and loyalty 2. Global reach and distribution network 3. Wide variety of products and flavors 4. Experienced and diverse workforce	1. Dependence on carbonated soft drinks, which are declining in popularity 2. Negative perception of sugary drinks and health concerns 3. Controversies over environmental and labor practices
1. Growing demand for healthier and low-calorie beverages 2. Expansion into emerging markets with growing middle class 3. Innovations in packaging and distribution technology 4. Increasing trend towards e-commerce and direct-to-consumer sales	1. Intense competition from other beverage companies 2. Changing consumer preferences and tastes 3. Government regulations and taxes on sugary drinks 4. Fluctuations in commodity prices and currency exchange rates

	S	W
O	SO	WO
	-leverage its strong brand recognition and global distribution network to expand into emerging markets with growing demand for healthier and low-calorie beverages	- diversify its product line to offer more options for health-conscious consumers and tap into the growing demand for healthier and low-calorie beverages
T	ST	WT
	Coca-Cola can innovate in packaging and distribution technology to take advantage of the trend towards e-commerce and direct-to-consumer sales for its wide variety of products and flavors	Coca-Cola should continue to monitor changing consumer preferences and tastes and adjust its product line accordingly, while also addressing controversies over environmental and labor practices to mitigate potential negative impacts on its brand image

TOWS Example – Starbucks

Internal factors / External factors	Strengths (S)	Weakness (W)
	• S1. Profitability • S2. Brand recognition • S3. Global presence •	• W1. Uneven worldwide distribution • W2. Product pricing • W3. Sustainability
Opportunities (O) • O1. New markets • O2. New products and services • O3. Purchasing companies	**S-O strategies** • SO.1. Re-invest profits in new markets • SO.2. Use its brand to sell new products • SO.3. Expand global presence by purchasing companies	**W-O strategies** • WO.1. New market will balance distribution • WO.2. Lower prices for new products • WO.3. Purchases companies to survive
Threats (T) • T1. New entrants • T2. U.S. market saturation • T3. Changes in customer favor	**S-T strategies** • ST.1. Offer better stakeholder value • ST.2. Ensure a strong foundation • ST.3. Introduce to more people worldwide	**W-T strategies** • WT.1. Entry into new countries before competition • WT.2. Lower prices in Asia • WT.3. Engage the customers with constant rewards

Netflix

1. Wide selection of content and original programming 2. Strong brand recognition and loyal customer base 3. User-friendly platform 4. Global reach and distribution network	1. Dependence on licensed content from other providers 2. Limited control over content availability in some international markets
1. Growing demand for streaming and digital entertainment 2. Expansion into new international markets 3. Diversification into related entertainment services, such as gaming and live events 4. Use of data analytics and AI to improve content recommendations and user experience	1. Intense competition from other streaming services, such as Amazon Prime and Disney+ 2. Changing consumer preferences and viewing habits 3. Government regulations and taxes on streaming services 4. Increasing costs associated with licensing and producing content

	S	W
O	SO	WO
	Netflix can leverage its wide selection of content and original programming to expand into new international markets and diversify into related entertainment services, such as gaming and live events.	Netflix can address its dependence on licensed content from other providers by investing in more **original programming and collaborations with independent studios and filmmakers.**
T	ST	WT
	Netflix can use data analytics and AI to improve the user experience by providing more personalized recommendations and developing new features for its platform (assuming that competitor could not invest on this)	Netflix should continue to monitor **changing consumer preferences and competition from other streaming services** by exploring new distribution channels and partnerships, while also complying with government regulations and taxes on streaming services

The organisation	Stengths – S 1. Existing brand 2. Existing customer base 3. Existing distribution	Weaknesses – W 1. Brand perception 2. Intermediary use 3. Technology/skills 4. X-channel support
Opportunities – O 1. Cross-selling 2. New markets 3. New services 4. Alliances/Co-branding	**SO strategies** Leverage strengths to maximise opportunities **= Attacking strategy**	**WO strategies** Counter weaknesses through exploiting opportunities **= Build strengths for attacking strategy**
Threats – T 1. Customer choice 2. New entrants 3. New competitive products 4. Channel conflicts	**ST strategies** Leverage strengths to minimise threats **= Defensive strategy**	**WT strategies** Counter weaknesses and threats **= Build strengths for defensive strategy**

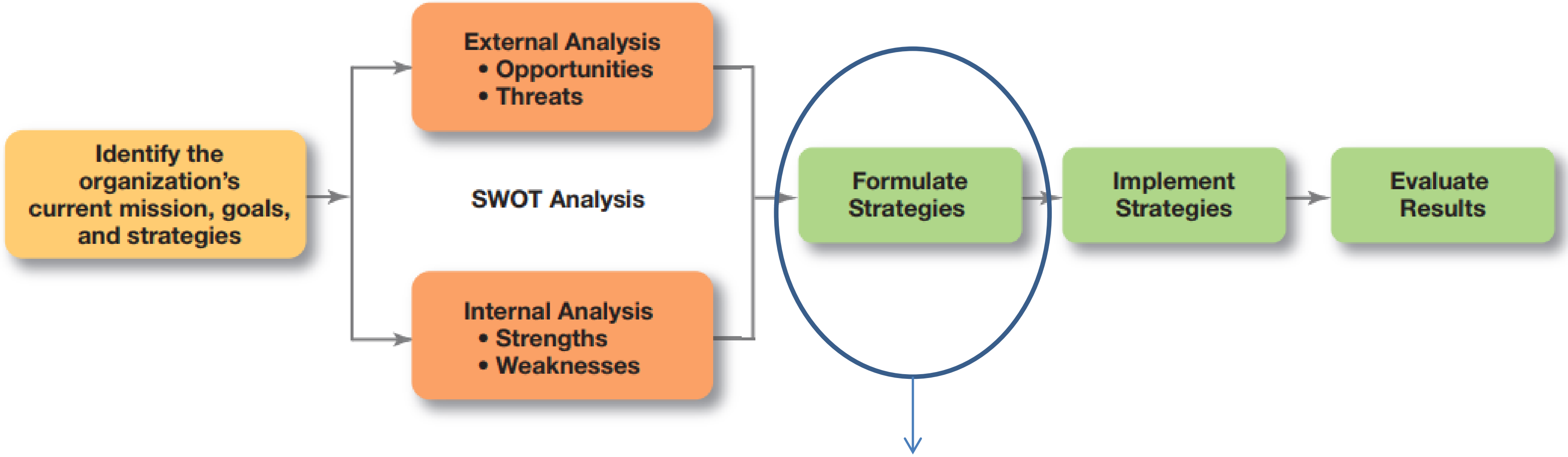
What is a TOWS Matrix?

The TOWS Matrix is derived from the **SWOT Analysis** model

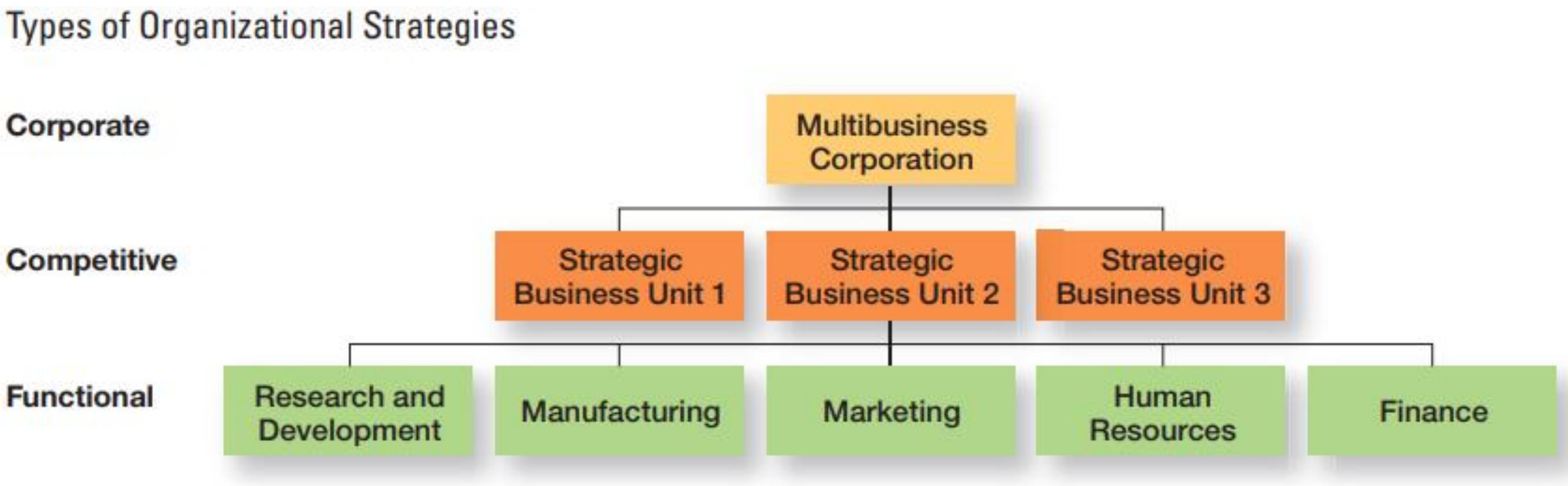
Application of the TOWS Merger Matrix for Mergers, Acquisitions, Joint Ventures, and Alliances

Recently, the TOWS Matrix concept has been introduced for planning mergers, acquisitions, joint ventures, and alliances. Whenever two partners consider joint activities, it is prudent to analyze the strengths and weaknesses for each partner as well as their opportunities and threats.

Moreover, **their alternative strategies *before* their association should be considered: the two TOWS Matrices provide a better understanding of the prospective partners before the actual linkage**. For example, **complementary strengths and weaknesses could result in a competitive advantage for both companies. On the other hand**, r**epetition and overlap may result in duplication of efforts**. After the two matrices are evaluated, a third matrix should be developed for the partnership. This is especially important for acquisitions and mergers because of the relative permanency of the resulting entity



Step 4: After thorough analysis of external environment and their available resources and capabilities , the managers formulate strategies to help an organization achieve its goals. There are main three types of strategies managers formulate : **corporate, competitive, and functional**



- The **corporate strategy** is at the top, **setting the overall vision**;
- The competitive strategy is in the middle, **defining how to win in specific markets**; also called as business strategy.
- The **functional strategies** are at the base, detailing the day-to-day actions of departments.

Step 5: Implementing Strategies

Once strategies are formulated, they must be implemented. No matter how effectively an organization has planned its strategies, performance will suffer if the strategies aren’t implemented properly

Step 6: Evaluating Results

The final step in the strategic management process is evaluating results.

How effective have the strategies been at helping the organization reach its goals?

Look for reasons for deviation (especially lagging)

What adjustments are necessary?

CORPORATE STRATEGIES

- These **STRATEGIES** concerns the entire organization and answers the question: **"In what business or businesses should we be?"**
- **In other words : it** determines what businesses a company is in (present) or wants to be in (in future), and what it wants to do with those businesses (e.g. **grow them, keep them the same, or renew them**).
- It's based **on the mission and goals of the organization** and the roles that each business unit of the organization will play

- **PepsiCo**, for instance.
- **Its mission: " To be the global leader in beverages and convenient foods" .**
- It pursues that mission with a corporate strategy that has put it in different businesses, **including its PepsiCo Americas Beverage (beverage business), PepsiCo Americas Foods (snack and prepared foods businesses including Frito-Lay and Quaker Oats), and then its global businesses—PepsiCo Europe and PepsiCo Asia/ Middle East/Africa**.

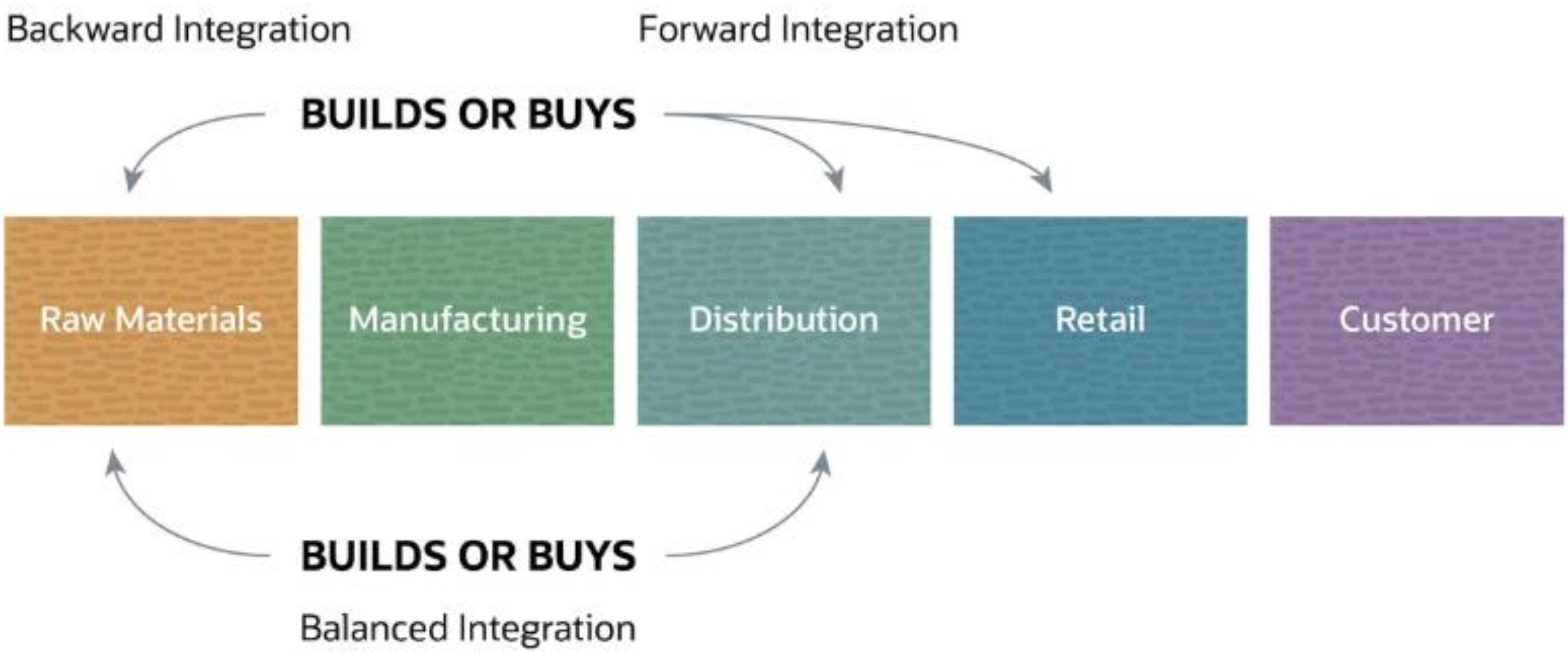
Growth strategy

- A corporate strategy that's used **when an organization wants to expand the number of markets served or products offered**, either through <u>*its current business(es) or through new business(es).*</u>
- Because of its growth strategy, an organization may increase **revenues or market share**
- Organizations grow by using **concentration, vertical integration, horizontal integration, or diversification**

Concentration strategies: **focuses on its primary line** of business and **increases the number of products offered or markets served**

Market penetration	Market development	Product development.
trying to gain additional share of a firm's **existing markets** using **existing products**	taking **existing products** and trying to sell them within **new markets**	creating **new products** to serve **existing markets.**
A firm can use one, two, or all three as part of their efforts to excel within an industry		

Market penetration	Market development	Product development.
will rely on **advertising, pricing** to attract new customers	**to enter a new retail channel or new geographic areas**	Develop new products/ improvements in existing product
Nike, for example, features famous athletes in print and television ads designed to take market share within the athletic shoes business from Adidas and other rivals. Others are old spice (man grooming company) Coco cola- share a coke campaign	Starbucks, for example, has **stepped beyond selling coffee beans only in its stores and now sells beans in grocery stores**. This enables Starbucks to reach consumers that do not visit its coffeehouses Presence of streaming platform from app to TV (even without Smart Tv)	**Disney expanded its offerings within the film business by going beyond cartoons and creating movies featuring real actors.** More recently, McDonald's has gradually m**oved more and more of its menu toward healthy items to appeal to** customers who are concerned about nutrition.



Types of vertical integration

Company control its supply chain by acquiring suppliers or distributors

A company also might choose to grow by *vertical integration*, either backward, forward, or both. **In backward vertical integration, the organization becomes its own supplier so it can control its inputs**

Example: Walmart plans to build a dairy-processing plant in Indiana to supply **private-label milk to hundreds of its stores** at a lower cost than purchasing milk from an outside supplier

In **forward vertical integration**, the organization becomes its own distributor and is able to control its outputs. **For example, Apple has more than 400 retail stores worldwide to distribute its products .**

In *horizontal integration*, a company grows by combining with competitors. *The term **merger** is generally used when two similarly sized firms are integrated into a single entity.*

In an acquisition, a larger firm purchases and absorbs a smaller firm.

- Horizontal integration can also provide access to new distribution channels
- **Example: Vodafone & Hutchison later Vodafone –idea**
- **Arcelor-Mittal**
- Facebook's acquisition of Instagram

- Finally, an organization can grow **through *diversification***, **either related or unrelated**.
- **Related diversification** happens when a company combines with other companies in different, but related, industries. For example**, Google has acquired a number of businesses (some 150 total), including YouTube, DoubleClick, Nest, and Motorola Mobility.**
- Although this mix of businesses may seem odd, the company's "strategic fit" is its information search capabilities and efficiencies.
- Unrelated diversification is when a company combines with firms indifferent and unrelated industries.
- For instance, the **Tata Group of India has businesses in chemicals, communications and IT, consumer products, energy, engineering, materials, and services. Again, an odd mix**. But in this case, there's no strategic fit among the businesses

- A **stability strategy** is a corporate strategy in which **an organization continues to do what it is currently doing.**
- Examples of this strategy include continuing to **serve the same clients by offering the same product or service, maintaining market share**, and sustaining the organization’s current business operations. **The organization doesn’t grow, but doesn’t fall behind, either**

Rolex: Maintaining Exclusivity and Prestige, Minimal Product Line Changes, Consistent Marketing

Renewal strategies

- When an organization is in trouble, something needs to be done.
- Managers need to develop strategies, called **renewal strategies**, that address declining performance.
- The two main types of renewal strategies are **retrenchment (divestment, turnaround strategies and Liquidation)**

- A *retrenchment strategy* is a corporate-level strategy used by a company **to reduce the size or scope of its business operations**. It's **a defensive move**, often taken during periods of financial distress, declining market share, or intense competition, with the goal of improving financial stability and refocusing on core competencies

In the 2000s, **Ford Motor Company divested its luxury brands, including Jaguar, Land Rover, and Aston Martin**. At the time, these brands were a financial drain on Ford's resources, and by selling them, Ford was able to focus its efforts and capital on **its core Ford and Lincoln brands,** which helped it navigate a difficult economic period and regain profitability

Royal Enfield's Revival: Royal Enfield, once a struggling motorcycle manufacturer, was acquired by Eicher Motors. The new management focused on its core strengths, modernized the motorcycles, and introduced the Royal Enfield Classic, leading to a significant increase in sales and revenue.

Apple's Transformation: In the late 1990s, Apple faced declining sales and market share. The return of Steve Jobs marked a turning point. He focused the company on innovation, simplified the product line, and launched successful products like the iMac and iPod, which revitalized the company.

Liquidation is the most extreme form of a retrenchment strategy. It involves selling all the company's assets and officially closing down the business. This is typically a last resort when the business is no longer viable and all other strategies have failed. The funds generated from the asset sales are used to pay off creditors and distribute any remaining money to shareholders

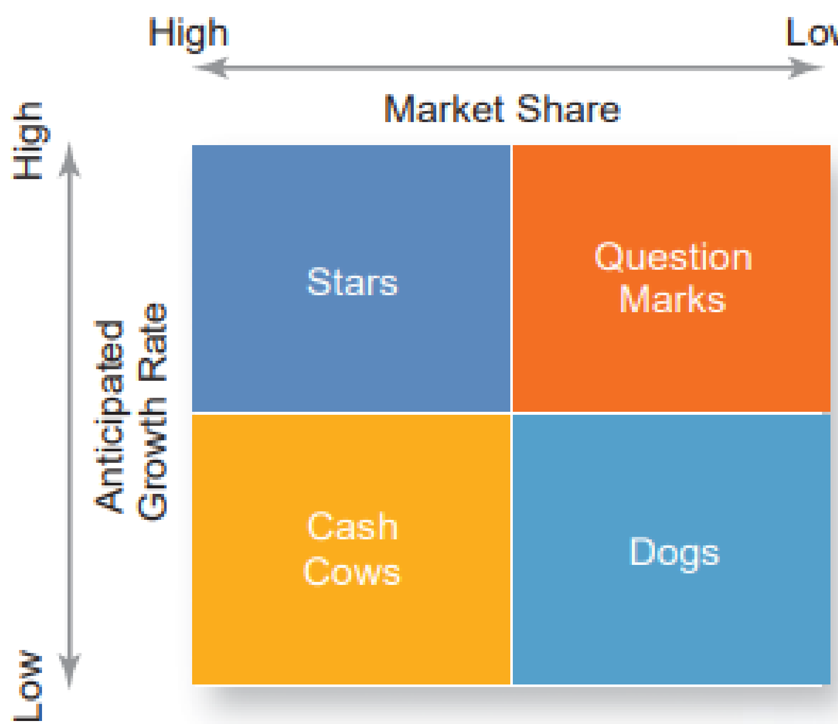
e.g. **Blockbuster**, the once dominant video rental company

How Are Corporate Strategies Managed- Portfolio matrix or BCG matrix

- When an organization's corporate strategy encompasses **a number of businesses**, managers can manage this collection, or portfolio, of businesses using a tool called **a corporate portfolio matrix.**
- This matrix provides **a framework for understanding diverse businesses** and **helps managers establish priorities for allocating resources**.
- The first portfolio matrix—the **BCG matrix** was developed by the Boston Consulting Group.

BCG introduced the idea that an organization with various businesses could be evaluated and plotted **using a 2 × 2 matrix to identify** which ones **offered high potential** and **which were a drain on organizational resources.**

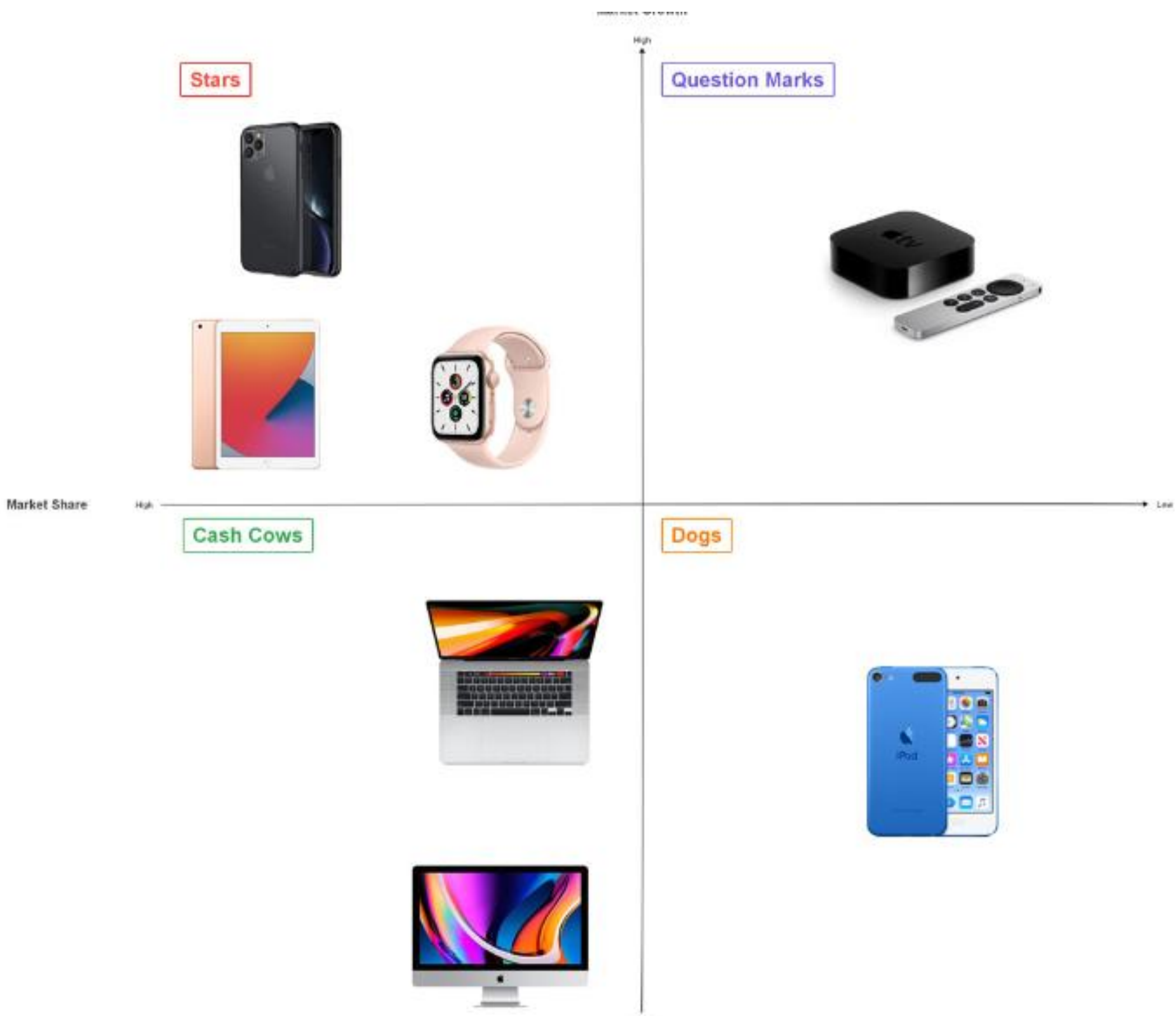
The horizontal axis represents market share (low or high), and the vertical axis indicates anticipated market growth (low or high).



BCG Matrix

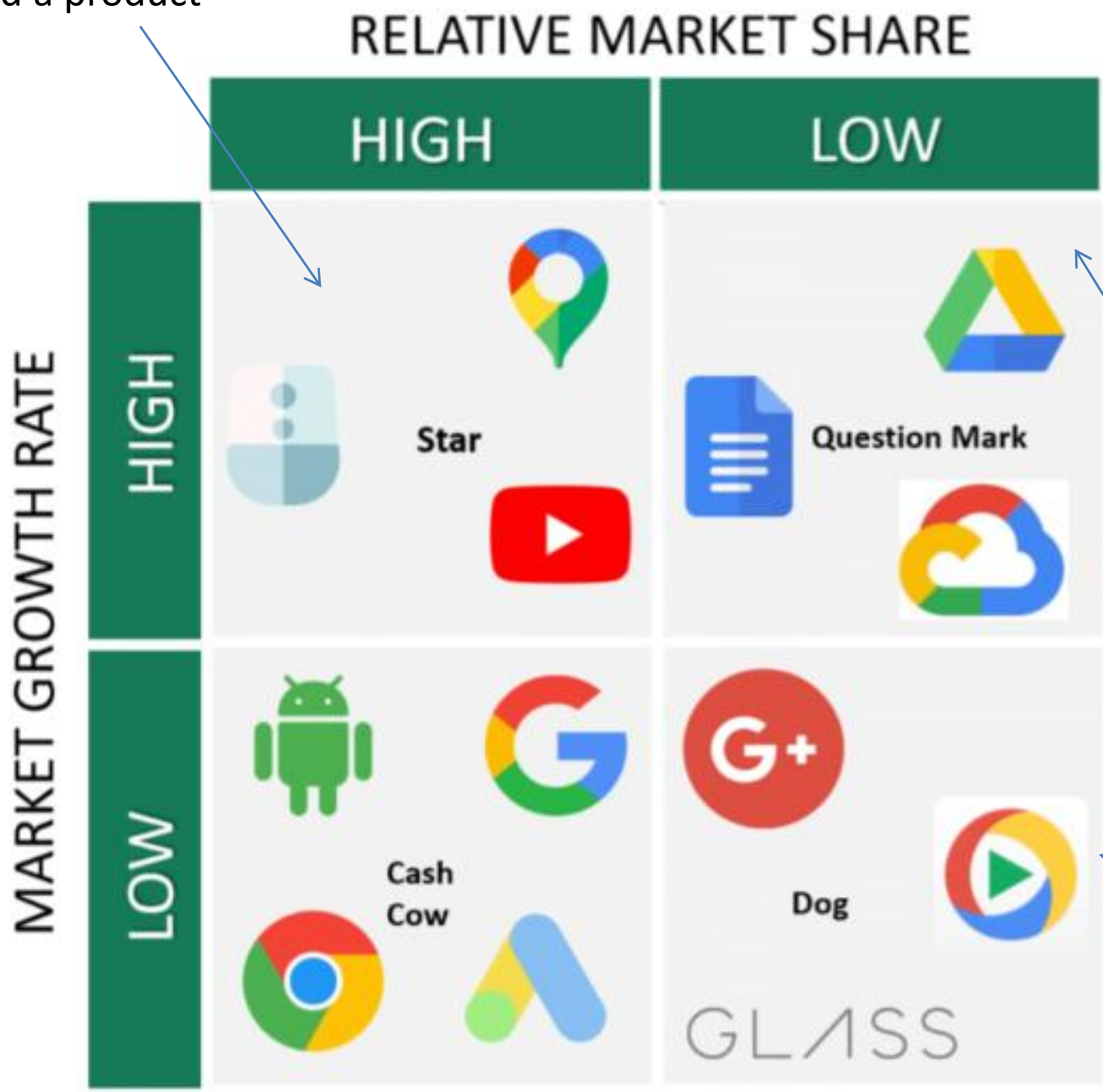
- **Stars:** High market share/High anticipated growth rate
- **Cash Cows:** High market share/Low anticipated growth rate
- **Question Marks:** Low market share/High anticipated growth rate
- **Dogs:** Low market share/Low anticipated growth rate

Dogs	**Sold off or liquidated**	**low market share in markets with low growth potential**
Cash cow	milk the cash cow as much as they can but limit any new investment	Low growth potential but high market share
Star	Heavy investment in stars will help take advantage of the market's growth and help maintain high market share. The stars, of course, will eventually develop into cash cows as their markets mature and sales growth slows	
Question mark	The hardest decision for managers relates to the question marks. After careful analysis, some **will be sold off and others strategically nurtured into stars**	strong potential to improve market share


High
Stars
Question Marks
Market Share
High
Low
Cash Cows
Dogs

BCG MATRIX SAMSUNG

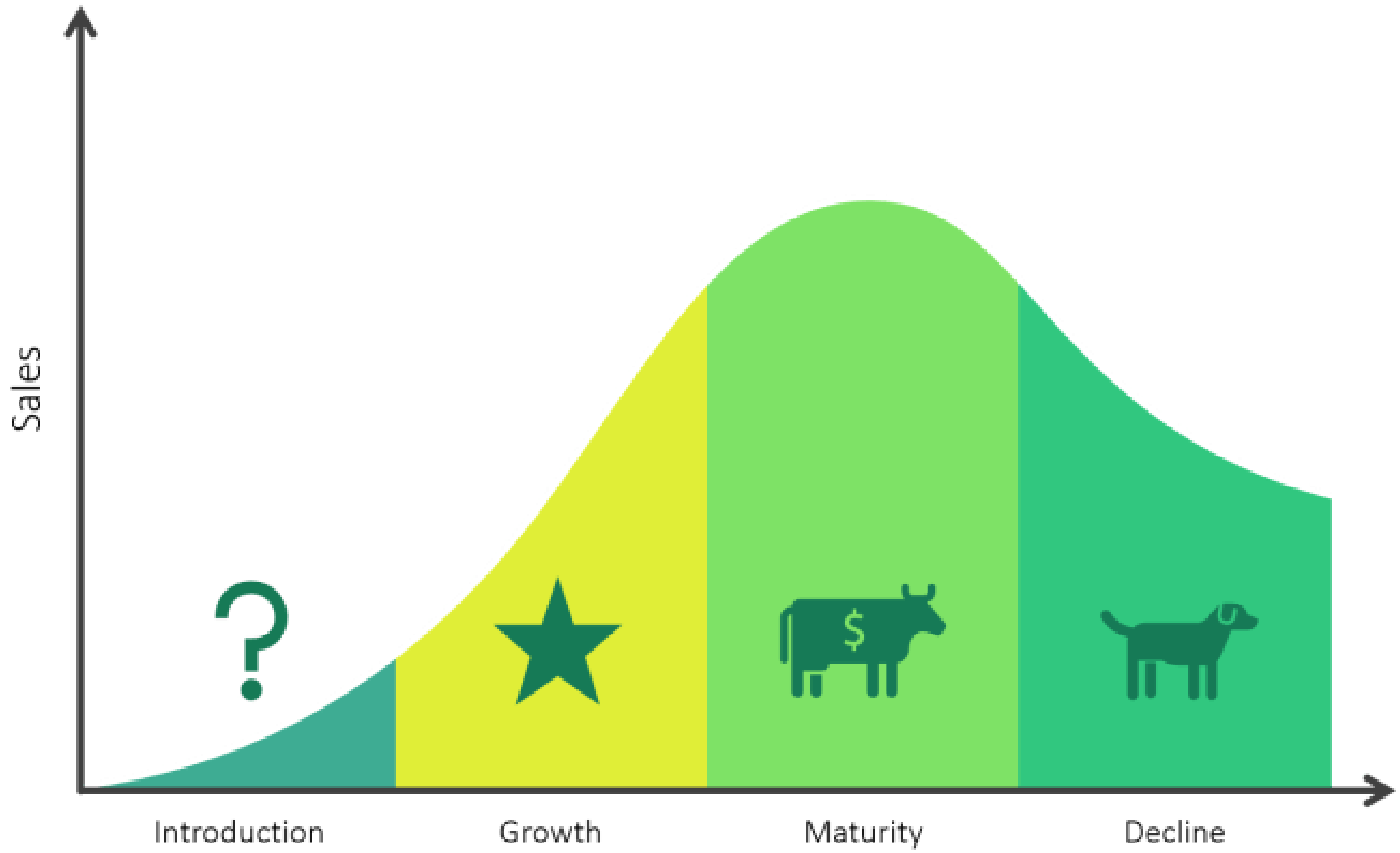
Hold a product



Build means Increase investment to push a Question Mark product into a Star

Divest/terminate the production

Harvest – Reduce investment


Sales
$
Introduction
Growth
Maturity
Decline

COMPETITIVE STRATEGIES

- A competitive strategy is **a set of policies and procedures that a business uses to gain a competitive advantage in** the market.
- **Competitive advantage :** the factors that permit one company to **compete more effectively** than its industry peers.
- For organizations (small or large) that has only one line of business (not diversified), competitive strategy **describes how it will compete in its primary or main market.**
- When an organization is in several different businesses, those single businesses that are independent and that have their own competitive strategies are referred to as **strategic business units (SBUs)**.

For example, **GE has different competitive strategies** for its businesses, which include **GE Aviation (aircraft engines), GE Healthcare (ultrasound equipment), consumer appliances (washers and dryers)**, and many products in diverse industry sectors.

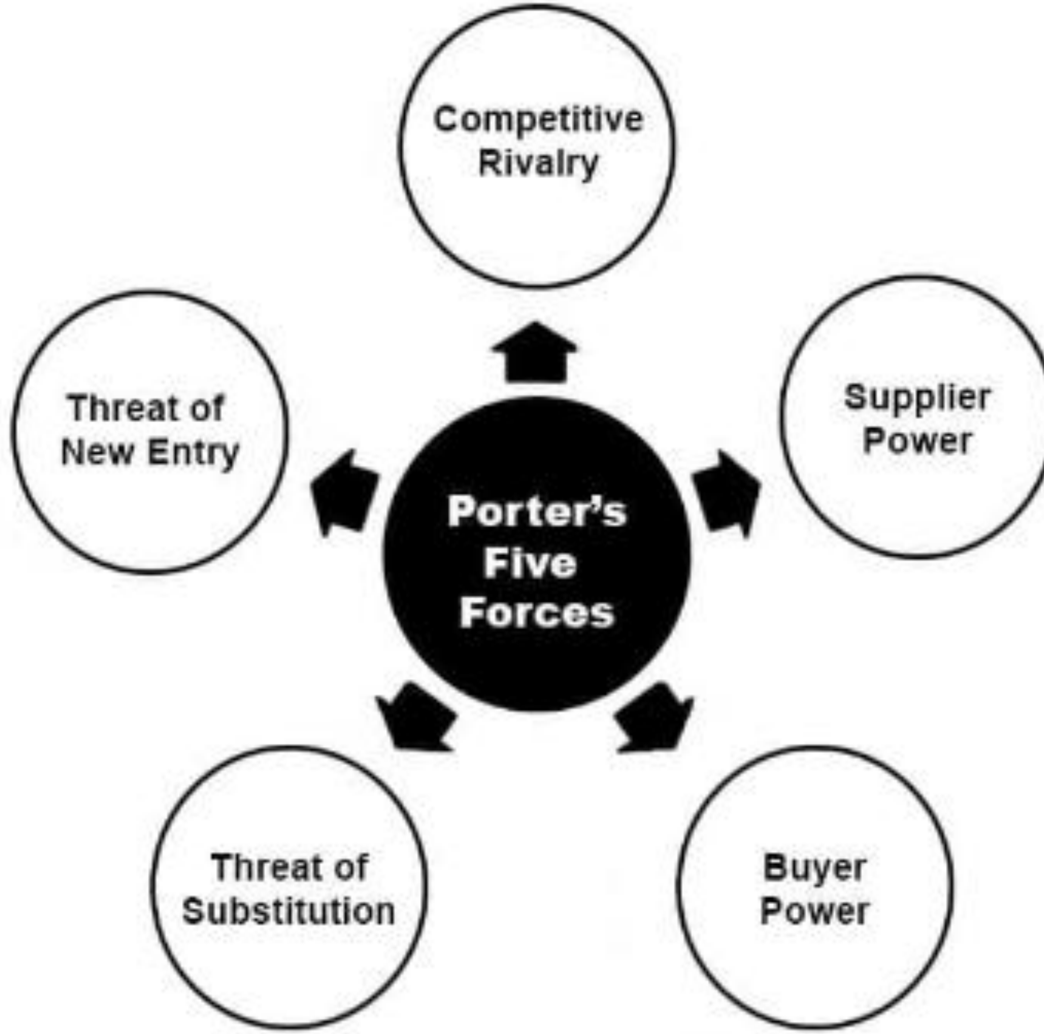
The Role of Competitive Advantage

- Developing an effective competitive strategy requires **an understanding of competitive advantage**, " ***which is what sets an organization apart—that is, its distinctive edge***".
- That distinctive edge can come from the **organization's core competencies (skills or experience)** **by doing something that others cannot do or doing it better than others can do it**
- Example: Rolls-Royce has a competitive advantage because of its skills **at giving customers exactly what they want—a hand-crafted, ultra-luxurious automobile, which can be customized to suit unique color, interior, and equipment preferences**. (Unparalleled customization, technological leadership, particularly in aerospace engines)

- Or competitive advantage can come from the **company's resources because the organization has something its competitors do not have.**
- Walmart was an early adopter of technologies like barcodes and RFID, demonstrating a commitment to leveraging technology for competitive advantage. Now they have best **information system** allows **it to monitor and control inventories and supplier relations** more efficiently than its competitors, which Walmart has turned **into a cost advantage**

PORTER'S INDUSTRY ANALYSIS OR PORTER'S FIVE FORCE MODEL

- Professor Michael Porter suggested that **strategy formulation requires an analysis of the attractiveness of an industry** and **the company's position within that industry**.
- **This analysis becomes the basis for formulating generic strategies**



1. *Threat of new entrants*. How likely is it that new competitors will come into the industry?
2. *Threat of substitutes*. How likely is it that other industries' products can be substituted for our industry's products?
3. *Bargaining power of buyers*. How much bargaining power do buyers (customers) have?
4. *Bargaining power of suppliers*. How much bargaining power do suppliers have?
5. *Current rivalry*. How intense is the rivalry among current industry competitors?

- Using Porter's Five Forces in combination with a **SWOT analysis** will assist in understanding the company's position in the marketplace.
- A SWOT analysis is a **micro-analytical tool focusing on a single company's data and analysis.**
- In contrast, Porter's Five Forces is a **macro analytical tool focusing on the industry's economy.**
- As a result, Porter's five forces disadvantages is that **sometimes** it may lead to **over-planning and hamper timely decision-making**.

Threat of New Entrants

This factor focuses to analyze:

- how easily new competitors can enter an industry
- what impact they would have on existing businesses.

The level of threat is determined by the existence and strength of **barriers to entry**

barriers to entry	threat of new entrants	Impact on existing businesses
High	Low	can enjoy higher profits
Low	High	new entrants can intensify competition, drive down prices, and reduce profitability for the existing companies.

Barriers to entry

- **Economies of Scale** (Automobile company)
- **Capital Requirements** (E.g. Airlines Industry/telecommunication)
- **Brand Loyalty** (Just like Apple or Coco-cola)
- **Switching Costs** (Customer Relationship Management (CRM) platforms like **Salesforce**)
- **Access to Distribution Channels** (Retail Shelf Space, Exclusive Agreements with restaurants, movie theaters, and sports stadiums)
- **Government Policy** (pharmaceutical industry, for instance, is protected by patents and requires extensive regulatory approvals)

Bargaining Power of Suppliers

Strong supplier power reduce an industry's profitability, because :

- Increased prices,
- limit product availability
- reduce the quality of their goods

→ competitive position will be affected

•**High concentration of suppliers** (numbers are few).

•**High switching costs**

•**No substitute inputs**:

•**Supplier's products are unique or highly differentiated**:

•**Threat of forward integration (supplier wants to enter** buyer's industry **i.e. Samsung** is a major supplier of key components for **Apple's iPhones,** including OLED displays and memory chips**)**

airline industry is a perfect example of an industry facing high supplier power.

Airlines are highly dependent on two main suppliers for their aircraft: **Boeing** and **Airbus**

- The fast-food industry, with a company like **McDonald's**, is a prime example of an industry **where suppliers have low bargaining power. Reasons** are :Many Suppliers, Low Differentiation, Low Switching Costs

Bargaining Power of Buyers

It refers to the pressure that **customers (or buyers)** can put on a business **to cut down prices** or **increase the quality of the product** or service

- **Small number of buyers**:.
- **Buyers purchase large volumes**:
- **Undifferentiated products**:
- **Low switching costs**:
- **Threat of backward integration**:

Reasons

A great example of high buyer power is the relationship between a giant retailer like **Walmart** and its many smaller clothing manufacturers

Threat of Substitute Products or Services

- Chances of customers switching to a **different product or service from another industry** that can satisfy the same need.

The threat is high when:

Substitutes are cheaper or offer better performance.

Switching costs are low.

The number of substitutes is large

Example: Streaming Services vs. Traditional Cable TV;

Netflix, and **Disney+** is a perfect example of a high threat of substitutes to the traditional cable television industry.

Competitive Rivalry

It measures the intensity of competition among existing firms in an industry.

The **higher the rivalry, the more difficult it is for firms to increase prices and earn high profits.**

This rivalry can manifest in various ways, such as **price wars, advertising campaigns, new product introductions, or increased customer service.**

Competitive intensity is the highest when your buyers have plenty of alternatives.

•**Many competitors are of similar size and power**: No single company dominates, leading to a constant battle for market share.

•**Industry growth is slow**: Companies can only grow by taking market share from rivals, intensifying competition

•**Products/services are not differentiated**: When products are seen as commodities, companies **must compete primarily on price.**

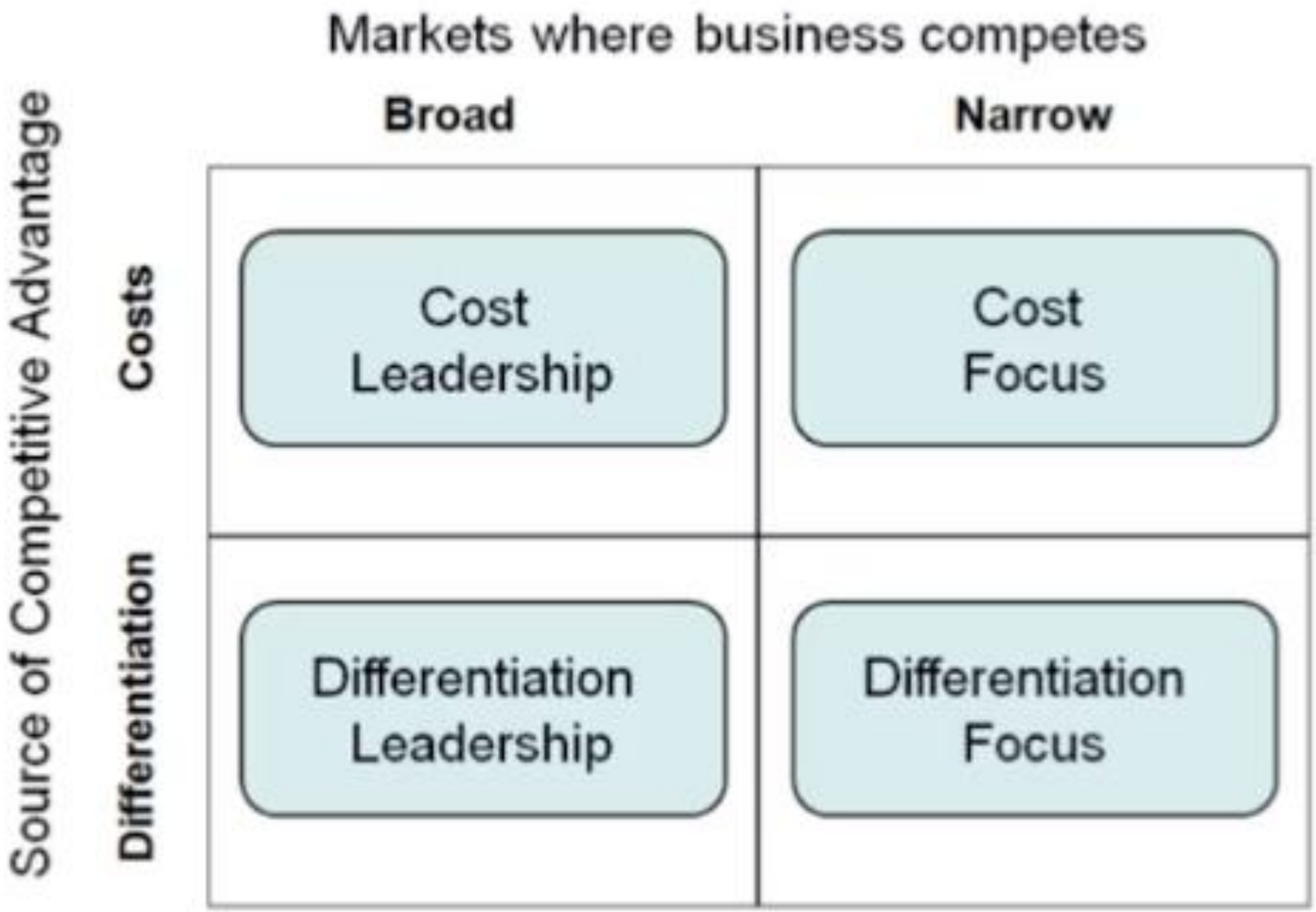
•**Exit barriers are high**: If it's difficult for companies to leave the market due to high fixed costs or specialized assets, they will fight fiercely to stay in the business.

The fast-food industry, particularly the rivalry between **McDonald's** and **Burger King**, is a classic example of intense competitive rivalry.

GENERIC COMPETITIVE STRATEGIES

- Based on Porter's Five forces model, the next step is to identify how your company is going to compete and formulate a competitive strategy.
- Ideally, organization **want to sit in a position where you can balance the 5 Forces and maximize your profit.**
- The key question to answer here is how you are going to achieve a competitive advantage that will put your organization in a winning position.
- He argued that to succeed, a company must choose one of three fundamental strategic paths. A company that tries to pursue multiple strategies at once risks being "stuck in the middle,"

Porter's Generic Strategies



Cost Leadership

This strategy focuses on becoming the lowest-cost producer in the industry. The goal is to gain a competitive advantage by offering products or services at a lower price than competitors, while still maintaining acceptable quality. To achieve this, a company must aggressively pursue cost reduction throughout its value chain. This can involve.

Economies of scale: Producing large volumes to spread fixed costs over more units.

Proprietary technology: Using efficient and low-cost production methods.

Favorable access to raw materials: Securing a cheaper source of inputs.

Tight cost control: Minimizing overhead, labor, and other operational expenses

Walmart's "Everyday Low Prices" strategy is a classic example of cost leadership, achieved through an optimized supply chain and efficient operations. Other is IKEA

Differentiation

This strategy involves creating **a product or service that is unique and distinctive**.

The goal **is to build brand loyalty and command a premium price** because customers perceive the product as having a higher value. Differentiation can be based on various factors, including:

Product design and features: Offering innovative or superior-quality products.

Brand image: Building a strong and reputable brand.

Customer service: Providing excellent support and a superior customer experience.

Technology and innovation: Leading the industry with cutting-edge technology.

Apple's focus on innovative design, user experience, and a strong brand image allows it to charge premium prices for its products, differentiating it from competitors

Tesla, Emirates airlines

Focus

This strategy **involves targeting <u>a specific, narrow market segment</u> or "niche" and tailoring a strategy to serve that segment's unique needs**.

Instead of competing across the entire industry, a "focuser" **concentrates its efforts on a particular group of customers**, a **specific geographic market**, or **a specialized product line**. The focus strategy has two variants: **Cost focus, Differentiation Focus**

Cost Focus: The company aims **to be the low-cost producer *within* a specific niche**. This is often successful when the niche has unique cost requirements that broader competitors cannot meet.

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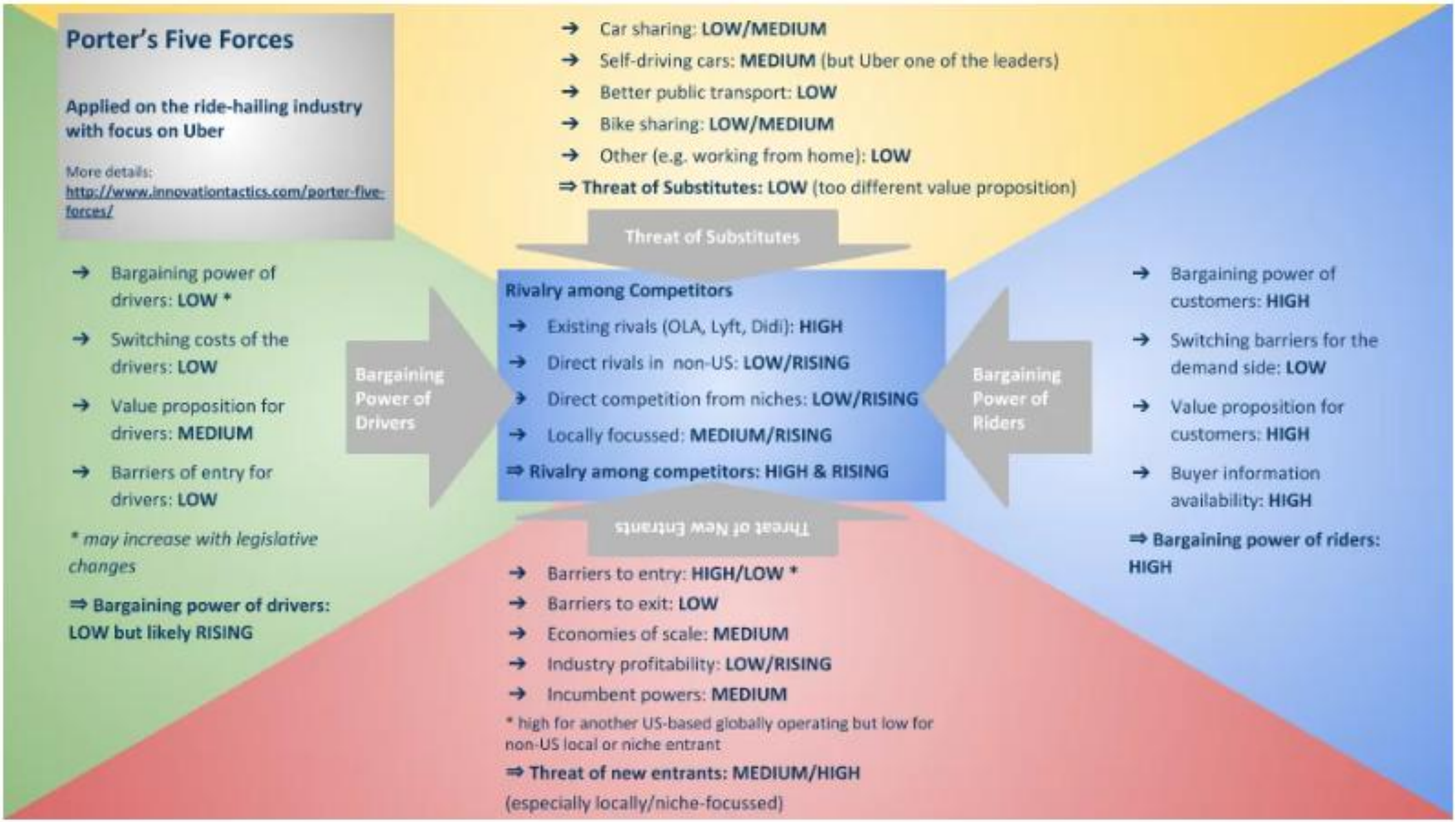
Examples : A budget airline on specific routes: **Air India Express**, particularly in its original business model

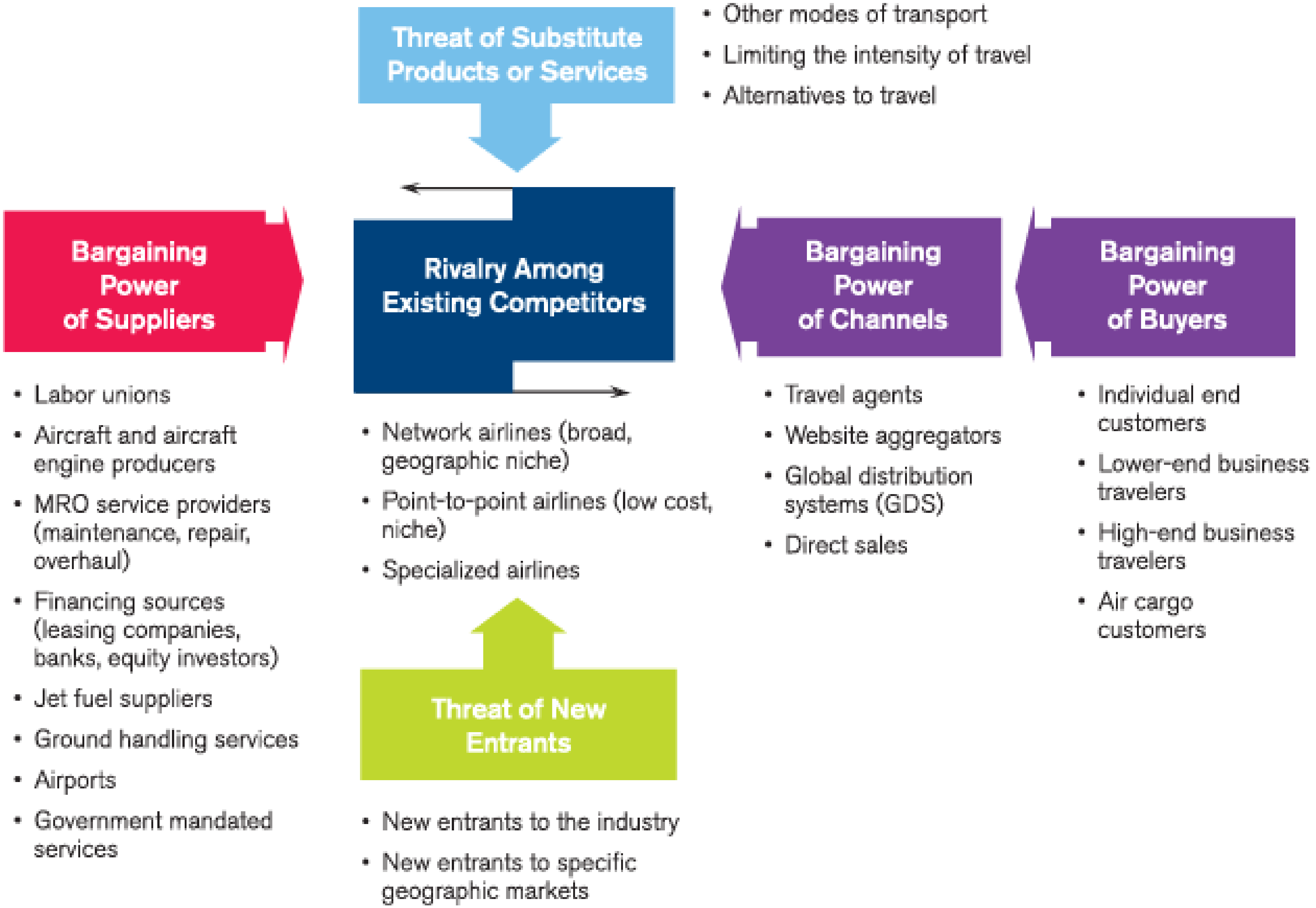
The **Tata Nano** is a classic example of a cost-focus initiative, even though it ultimately wasn't a commercial success. It was specifically designed to be the lowest-cost car in the world, targeting a very narrow niche of consumers:

Differentiation Focus: The company seeks to differentiate its products or services to meet the specific needs of a narrow market segment. The uniqueness of the offering allows it to charge a premium price within that niche.

Ferrari and Rolls-Royce focus on the niche market of luxury, high-performance automobiles, offering unique and exclusive products to a very specific and affluent customer base.

	Cost	Differentiation	Focus
Entry Barriers	Discourage new entrants as they have ability to cut price	Discourage new entrants due to brand loyalty	This develops strength which act as an entry barrier
Buyer power	Ability to offer lower price to buyer	Less power to buyer due few close alternative	Less power to buyer due few alternative
Supplier power	Supplier power is reduced due to bulk purchase	Able to pass on to buyers and charges premium amount	High supplier power as firm buys in small volume
Threat of substitute	Use low price to defend against substitute	Brand loyalty, features reduces this threat	Specialized products and distinctive competence reduce the threat
Rivalry	Competitors avoid price wars	Brand loyalty reduce the threat from rivals competition	Rivals can not meet differentiations focused customer needs


Porter's Five Forces
Applied on the ride-hailing industry with focus on Uber
More details:
http://www.innovationtactics.com/porter-five-forces/
→ Car sharing: LOW/MEDIUM
→ Self-driving cars: MEDIUM (but Uber one of the leaders)
→ Better public transport: LOW
→ Bike sharing: LOW/MEDIUM
→ Other (e.g. working from home): LOW
⇒ Threat of Substitutes: LOW (too different value proposition)
Threat of Substitutes
→ Bargaining power of drivers: LOW *
→ Switching costs of the drivers: LOW
→ Value proposition for drivers: MEDIUM
→ Barriers of entry for drivers: LOW
* may increase with legislative changes
⇒ Bargaining power of drivers: LOW but likely RISING
Bargaining Power of Drivers
Rivalry among Competitors
→ Existing rivals (OLA, Lyft, Didi): HIGH
→ Direct rivals in non-US: LOW/RISING
→ Direct competition from niches: LOW/RISING
→ Locally focussed: MEDIUM/RISING
⇒ Rivalry among competitors: HIGH & RISING
Bargaining Power of Riders
→ Bargaining power of customers: HIGH
→ Switching barriers for the demand side: LOW
→ Value proposition for customers: HIGH
→ Buyer information availability: HIGH
⇒ Bargaining power of riders: HIGH
Threat of New Entrants
→ Barriers to entry: HIGH/LOW *
→ Barriers to exit: LOW
→ Economies of scale: MEDIUM
→ Industry profitability: LOW/RISING
→ Incumbent powers: MEDIUM
* high for another US-based globally operating but low for non-US local or niche entrant
⇒ Threat of new entrants: MEDIUM/HIGH (especially locally/niche-focussed)



Threat of Substitute Products or Services
• Other modes of transport
• Limiting the intensity of travel
• Alternatives to travel
Bargaining Power of Suppliers
Rivalry Among Existing Competitors
Bargaining Power of Channels
Bargaining Power of Buyers
• Labor unions
• Aircraft and aircraft engine producers
• MRO service providers (maintenance, repair, overhaul)
• Financing sources (leasing companies, banks, equity investors)
• Jet fuel suppliers
• Ground handling services
• Airports
• Government mandated services
• Network airlines (broad, geographic niche)
• Point-to-point airlines (low cost, niche)
• Specialized airlines
• Travel agents
• Website aggregators
• Global distribution systems (GDS)
• Direct sales
• Individual end customers
• Lower-end business travelers
• High-end business travelers
• Air cargo customers
Threat of New Entrants
• New entrants to the industry
• New entrants to specific geographic markets

Spotify 5 forces analysis

https://consultport.com/for-consultants/porters-5-forces-the-explanation-with-examples/

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