BUSINESS STRATEGY

Regulation: R22

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Business Strategy

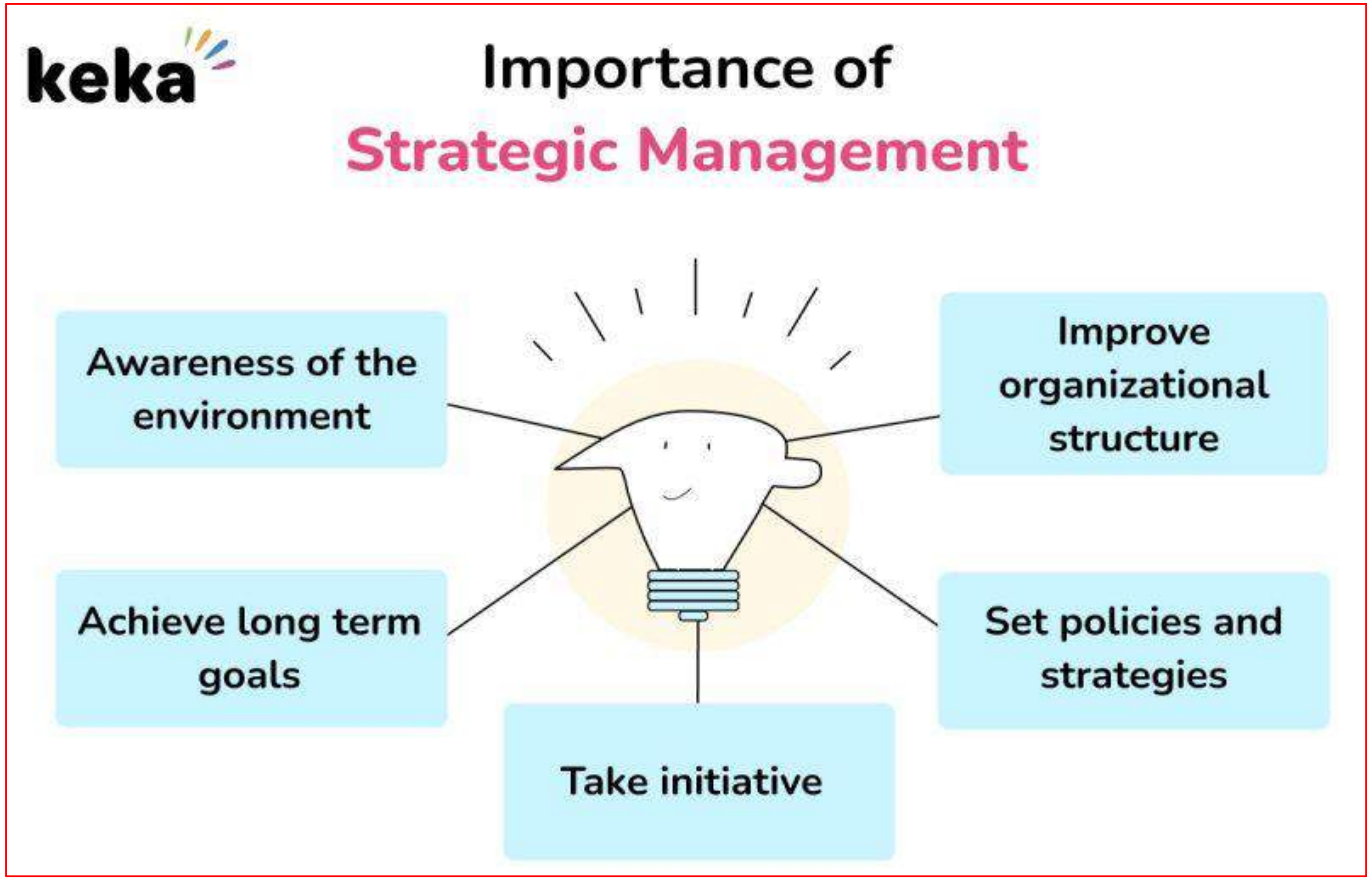
- WHY STRATEGY: Different organisations having similar opportunities and resources perform differently. Consequently, some organisations succeed while others fail though both are in the same business. Similarly, organisations dealing with the same product and catering to the same group of customers perform quite differently
- Ex:-Singapore Airlines has been growing at a faster rate than that of US Air.
- Dell computers has been doing well in highly competitive personal computers market, while Compaq and Apple have been struggling behind.
- Mittal Steel company has been growing by leaps and bounds and could bag 9% of global steel market whereas the giants like Arcelor SA in the steel industry have been lagging behind.
- Tata steels tool over Chorus company
- Tata tea acquired Tetley and Tata motors - Daewoo and Jaguar etc.
- Revival of Campa cola brand by reliance as ‘CAMPA’

WHAT IS STRATEGY

- Strategy is a planned or emergent course of action that is expected to contribute to the achievement of organizational goals. Strategy can also be an idea or a thought that is viewed to be productive to complete a course of action
- Alfred D. Chandler defines strategy as, “the determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals.”
- James Brain Quinn defines the term strategy as, “the pattern of plan that integrates an organization's major goals, policies and action sequences into a cohesive whole.”
- *”Strategic management is defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the organization.”* John A. Pearce II and Richard B. Robinson, Jr

- **Need for Strategy:**
- (i) To have rules to guide the search for new opportunities both inside and outside the firm.
- (ii) To take high quality project decisions.
- (iii) To develop measures to judge whether a particular opportunity is a rare one or whether much better ones are likely to develop in the future.
- (iv) To have an assurance that the firm's overall resource allocation pattern is efficient.
- (v) To have and develop internal ability to anticipate change.
- (vi) To save time, money and executive talent.
- (vii) To identify, develop and exploit potential opportunities.
- (viii) To utilise the delay principle, that is, delay the commitment until an opportunity is on hand.

Importance of Strategic Management



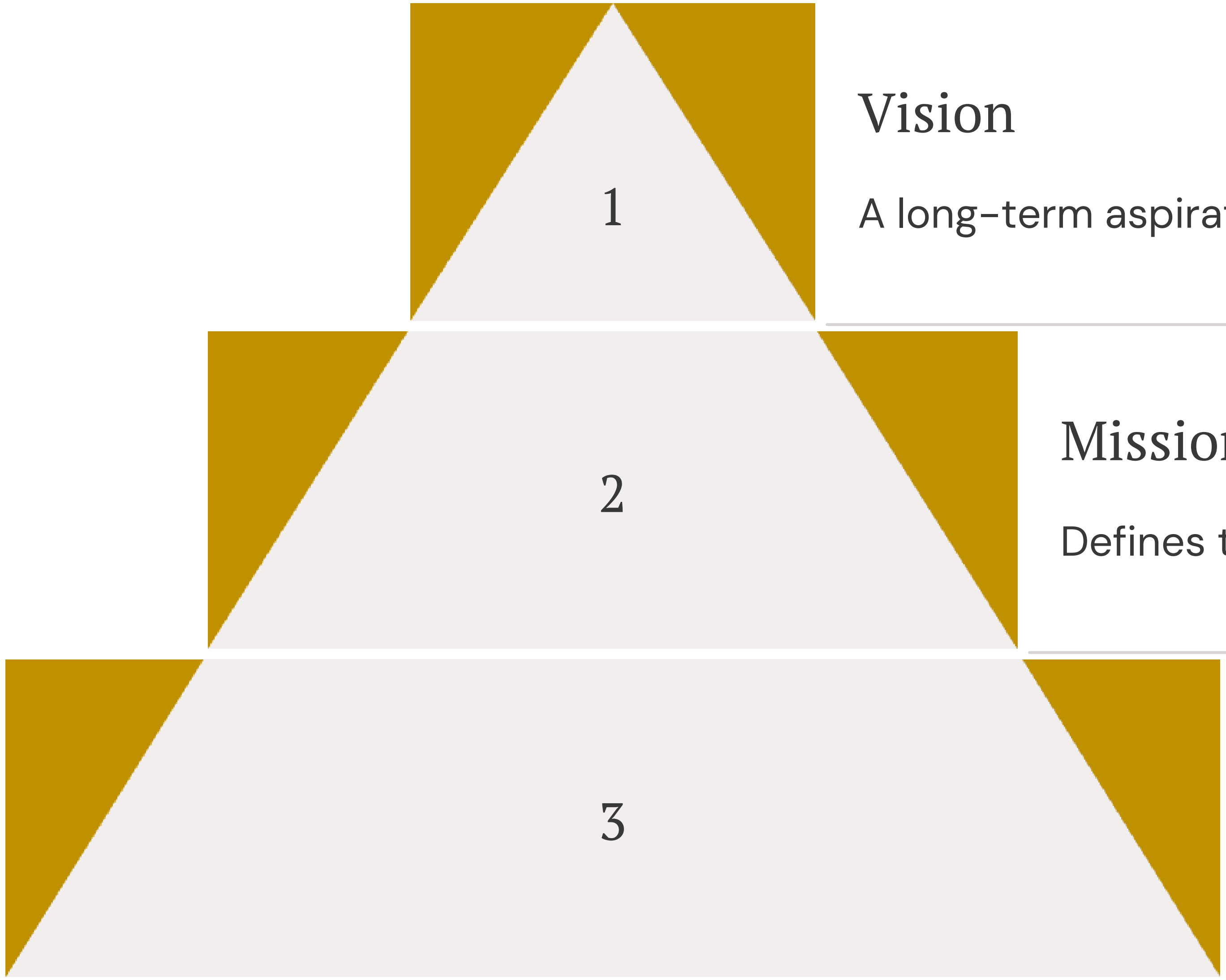
Clarity & Direction

Strategic management provides a clear path for the organization, aligning resources and efforts to achieve shared goals.

Competitive Advantage

By analyzing the competitive landscape and identifying unique strengths, organizations can position themselves for success.

Vision, Mission and Objectives



Vision

A long-term aspirational statement of what the organization aims to achieve.

Mission

Defines the organization's purpose and how it will achieve its vision.

Objectives

Specific, measurable, achievable, relevant, and time-bound goals aligned with the mission.

Vision

- A vision consists of the organization’s intentions that are all-inclusive and forward-thinking. It is the driving force of the organization. A vision has certain characteristics, such as:
- It describes aspirations for the future.
- It does not specify the means that are used to achieve the desired ends.
- It must be inspirational.
- It is often unwritten.
- It must be communicated”

- Communication of a vision can be done in two ways: in the form of a mission statement and through personal selling (personal interactions with customers to build relationships and communicate one’s vision). The attitude towards the quality of products and customers’ complaints are examples of the vision or intentions of an organization

Mission

- A vision intangible form is a mission statement. Therefore, a mission statement verbalizes the vision.
- A mission statement attempts to answer the following issues:
- Basic purpose of an organization
- Uniqueness or distinctiveness of the organization
- Likely difference in business three to five years in the future
- Principal customers, clients, or key market segments
- Principal goods and services in the present and the future
- Principal economic concerns
- Basic beliefs, values, aspirations, and philosophical priorities of the firm
- View of the future
- Competitive arenas
- Sources of competitive advantage

- <u>Objectives</u>
- Objectives are the operational definitions of goals. They describe what organizations hope to accomplish in specific measurable terms within a given time frame.
- The top management of an organization decides the overall objectives, which then cascades to divisional, departmental, and individual employee-level objectives.
- Individual employee-level objectives are variously known as key result areas (KRAs), key performance areas (KPAs), key performance indicators (KPIs), or key sales objectives (KSOs).

<u>Goals</u>

A mission statement tries to make a vision more specific, while goals are attempts to make a mission statement more concrete. Goals have several defining features, such as:

- They address both financial and non-financial issues.
- They facilitate reasoned trade-off (the range of goals should be perfectly consistent with one another).
- They can be reached with a stretch. They cut across functional areas.

Schools of Thought in Strategic Management

Classical

Focuses on formal planning and analysis to achieve efficiency and control.

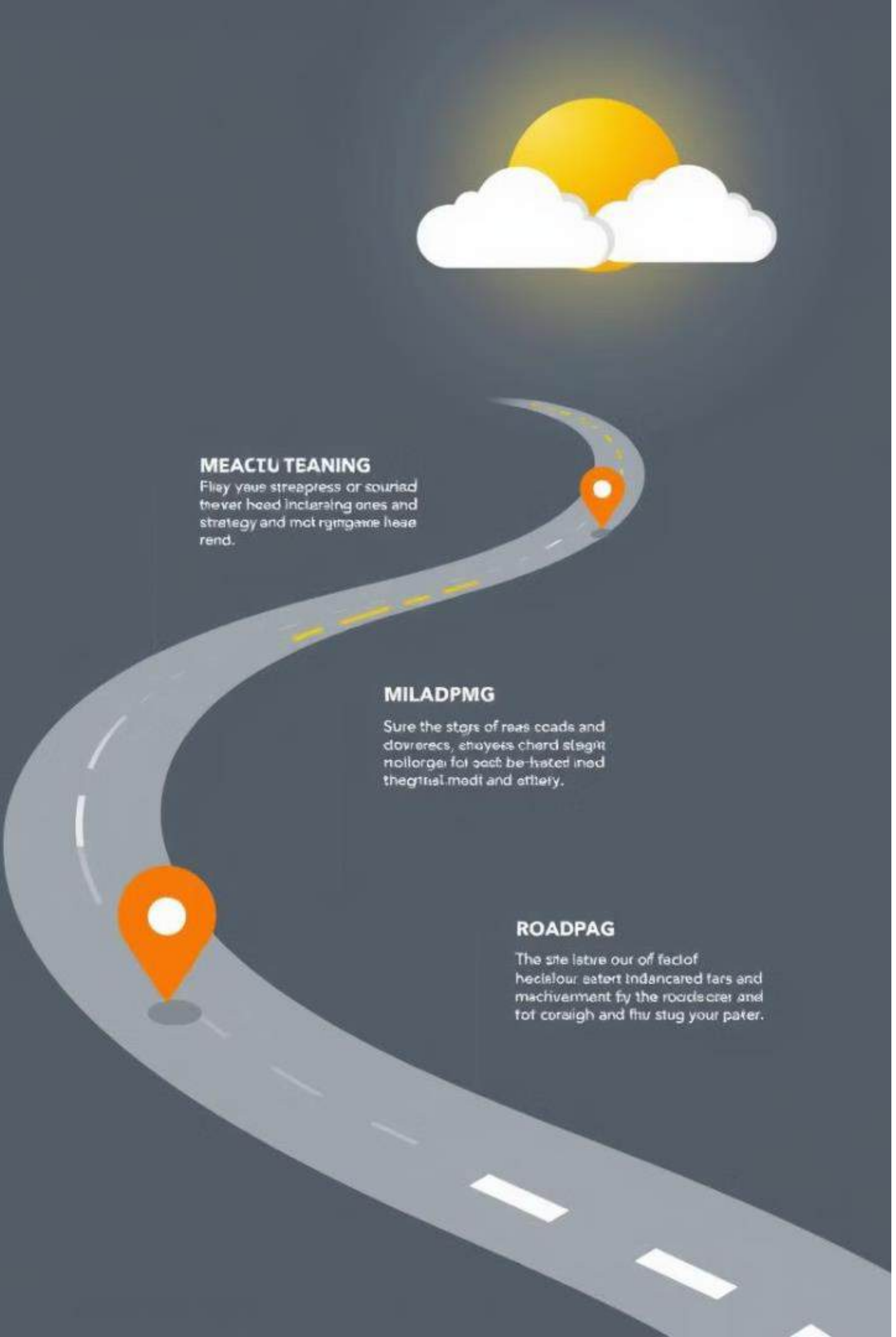
Evolutionary

Emphasizes adaptation and continuous improvement through learning and responding to change.

Resource-Based View

Stresses the importance of internal resources and capabilities in creating competitive advantage.

- 1911 HBS introduced Business Policy with case studies
- 1959 curriculum reported
- Gordon-Howell report sponsored by Ford foundation recommended capstone course of Strategic Management
- Pearson report with Carnegie
- 1969 Association of Collegiate Schools of business (AACSB) a regulatory for B Schools made it mandatory to study SM
- 1977 research symposium in Pittsburg university
- 1980-90 LPG policies emergence
- Design schools established
- Indian scenario-late 50's IIMs
- AICTE- Strategic management in 1990
- SM ,CB, BS,CS and Mergers and acquisitions in 1995



Strategy Content, Process and Practice

1. ### Analysis

   Understanding the external environment, industry dynamics, and internal capabilities.

2. ### Formulation

   Developing a strategic plan that outlines the organization's direction and key initiatives.

3. ### Implementation

   Putting the strategy into action through operational plans and resource allocation.

4. ### Evaluation

   Monitoring progress, assessing results, and making adjustments as needed.

Fit Concept and Configuration Perspective

Fit Concept

Ensuring that various elements of the strategy align and work together coherently.

Configuration Perspective

Determining the optimal organizational structure and processes to support the strategy.

- **Conduct An Analysis Of the External Environment**
- **Align Internal Capabilities and External Opportunities**
- **Continuously Reevaluate and Adapt**

Configuration Perspective in Strategic Management

Key components:

❖**Alignment of Structure and Strategy**

❖**Internal and External Consistency:** Internal consistency: Alignment of resources, capabilities, and activities

External consistency: Alignment with market demands, competition and industry conditions.

❖**Dynamic Fit:** Companies adapt their internal configurations to the changing business environment, technological advances, and shifts in consumer behavior.

❖**Strategic Leadership**

❖**Resource-Centric framework**

❖**Integration of Different Elements**:

Applications:

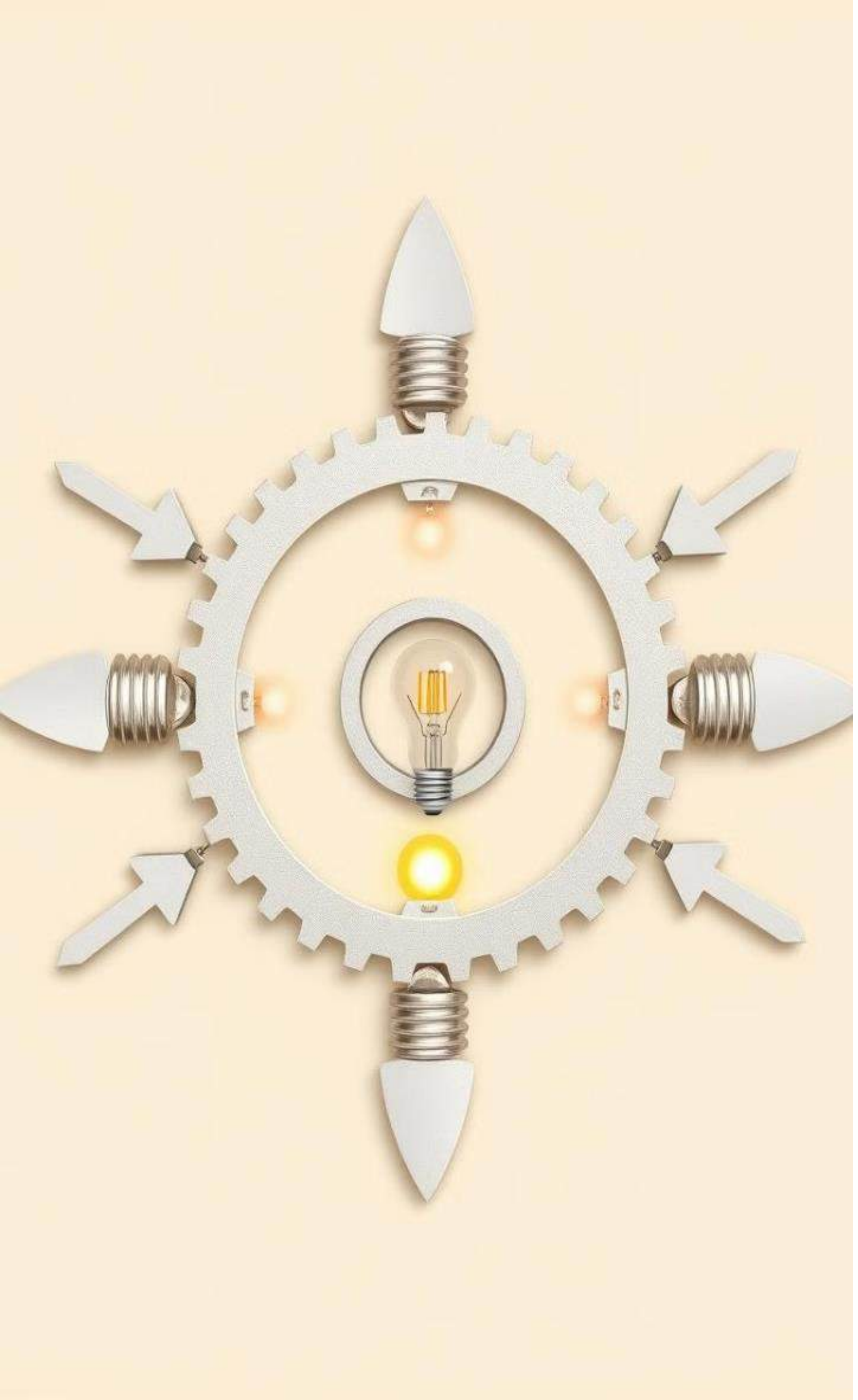
❏**Organizational Design**

❏**Strategic Change**

❏**Competitive Advantage**:

Mintzberg's Five Configurations of Strategic Management

- The **Operating Core** which consists of those doing the basic work and whose output can be directly linked to the goods and services that the organization makes and sells. According to Mintzberg, this part is common to all organizations since the core work must be done and hence, the operating element has to be put in place.
- The **Strategic Apex**, which is composed of senior management and the senior leadership, which provides the vision, mission, and sense of purpose to the organization. Indeed, it can be said that this part consists of those men and women who shape and control the destinies of the organization.
- The **Middle Level Managers** who are the "sandwich" layer between the apex and the operating core. This element is peopled by those who take orders from above and pass them as work to the operating core and supervise them.
- In other words, they perform the essential function of acting as a buffer between the senior management and the rank and file employees.
- The fourth element is the **Techno structure** that is composed of planners, analysts, and trainers who perform the intellectual work. This element provides the advice for the other parts and it is to be noted that they do not do any work but function in an advisory capacity.
- The final element is the **Support Staff** who perform supporting roles for the other units and exist as specialized functions that are responsible for the peripheral services in the organization.



Internal Environment of the Firm: Recognizing Intellectual Assets

This presentation explores the internal environment of a firm, focusing on identifying and leveraging intellectual assets for sustainable competitive advantage.

Core Competence as the Root of Competitive Advantage

Competitive Advantage

Core competencies are unique skills and knowledge that set a firm apart from its competitors.

Core Competencies in Business

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

Greatest Quality Products. This core competency means the company's products are most durable, long-lasting, and most reliable. The company will likely have invested in the strongest quality control measures, technically proficient workers, and high-quality raw materials.

Most Innovative Technology. This core competency means the company is an industry leader in its sector. The company will likely have invested heavy amounts of capital into research & development, holds many patents, and hires experts in respective fields.

Best customer service. This core competency means customers have the greatest experience during (and after) their purchase. The company will likely have invested in training for staff, large numbers of customer service representatives, and processes to manage exceptions or issues as they arise.

Largest Buying Power. This core competency leverages a company's economy of scale. This company will likely have invested in mergers or acquisitions and have built up strong relationships with vendors to gain favorable pricing or service.

Strongest Company Culture. This core competency promotes the internal atmosphere of the business. The company aims to attract the best talent by investing heavily in employee recognition, development, or collaborative, fun events.

Fastest Production or Delivery. This core competency means the company is able to make or ship items the fastest. The company will likely have invested in connected software systems as well as production processes and distribution relationships.

Lowest Cost Provider. This core competency means the company charges the lowest price among comparable goods. The company will likely have invested in the most efficient processes the reduce labor or material input.

Highest Degree of Flexibility. This core competency allows the company to quickly pivot in response to business opportunities or challenges. The company will likely have invested in cross-training across employees or nimble software solutions.

Identifying Core Competencies

Unique Skills

Identify activities the firm performs exceptionally well, generating value for customers.

Difficult to Replicate

Analyze if these skills are difficult for competitors to copy or acquire.

Strategic Importance

Assess if the skills contribute significantly to customer value and competitive advantage.

Leveraging Core Competencies for Competitive Advantage

Product Development

Develop new products or services leveraging core competencies.

Market Expansion

Extend core competencies to new markets or customer segments.

Strategic Alliances

Partner with other firms to leverage complementary core competencies.

Pros

- Are not easily replicable since they take long or large investments
- Is often difficult for competitors to overcome once a core competency has been achieved
- May be able to be translated to different products, sectors, or business opportunities
- Enhances the company's brand image and may make marketing endeavors more easily understood

Cons

- May result in a company being tied to an outdated, no-longer-used core competency
- May reduce the overall flexibility of a company
- May require large time or capital requirements
- May result in a company focusing too heavily on core competencies instead of a single cohesive strategy

https://wdcweb.com/blog/companies-with-best-marketing-strategies-in-india/

1. Apple
Design Innovation: Apple’s competency lies in creating products that are not only functionally advanced but also aesthetically pleasing and user-friendly. Its design philosophy is centered around simplicity and elegance.
Ecosystem Integration: Apple’s ability to integrate hardware, software, and services seamlessly creates a powerful ecosystem, encouraging brand loyalty.
Brand Loyalty: Apple has built an unmatched level of customer loyalty, with customers often eager to purchase new products and adopt new technologies.
2. Google (Alphabet)
Search and Data Analytics: Google's core competency is its ability to process vast amounts of data and deliver highly accurate and relevant search results. It is also a leader in data analytics, utilizing AI and machine learning.
Cloud and AI Services: Google Cloud is a strong player in cloud computing and AI solutions, with deep expertise in artificial intelligence, machine learning, and natural language processing.
Advertising: Google's advertising platform, based on data-driven targeting, has made it a leader in the digital advertising space.
3. Amazon
Logistics and Supply Chain: Amazon’s ability to manage an efficient global logistics and supply chain network gives it a massive edge, enabling quick delivery and customer satisfaction.
Customer-Centric Culture: Amazon focuses on understanding customer needs and continuously innovating to meet those needs, giving it a competitive advantage in terms of customer retention.
Cloud Computing (AWS): Amazon Web Services (AWS) has become a cornerstone of Amazon’s business model, offering scalable cloud computing solutions.
4. Tesla
Electric Vehicle Technology: Tesla’s deep expertise in electric vehicle technology, including battery innovation, energy efficiency, and autonomous driving, sets it apart from competitors in the automotive industry.
Sustainability and Renewable Energy: Tesla’s core competency extends to clean energy solutions, such as solar products and energy storage, furthering its brand as a leader in sustainability.
Software and Autonomy: Tesla has built advanced software for vehicle control, particularly in the area of self-driving technology, where it is leading the way in the automotive industry.
5. Microsoft
Enterprise Software and Cloud Computing: Microsoft's core competency is its dominance in enterprise software with products like Windows, Office Suite, and Azure cloud services.
Product Integration: The seamless integration between Microsoft’s software products (e.g., Microsoft 365, Azure) and hardware (Surface) gives it a unique competitive advantage in both the consumer and enterprise markets.
AI and Productivity: Microsoft has a growing focus on artificial intelligence, integrating it into products to improve user productivity, such as through Microsoft Teams, LinkedIn, and its Azure AI solutions.
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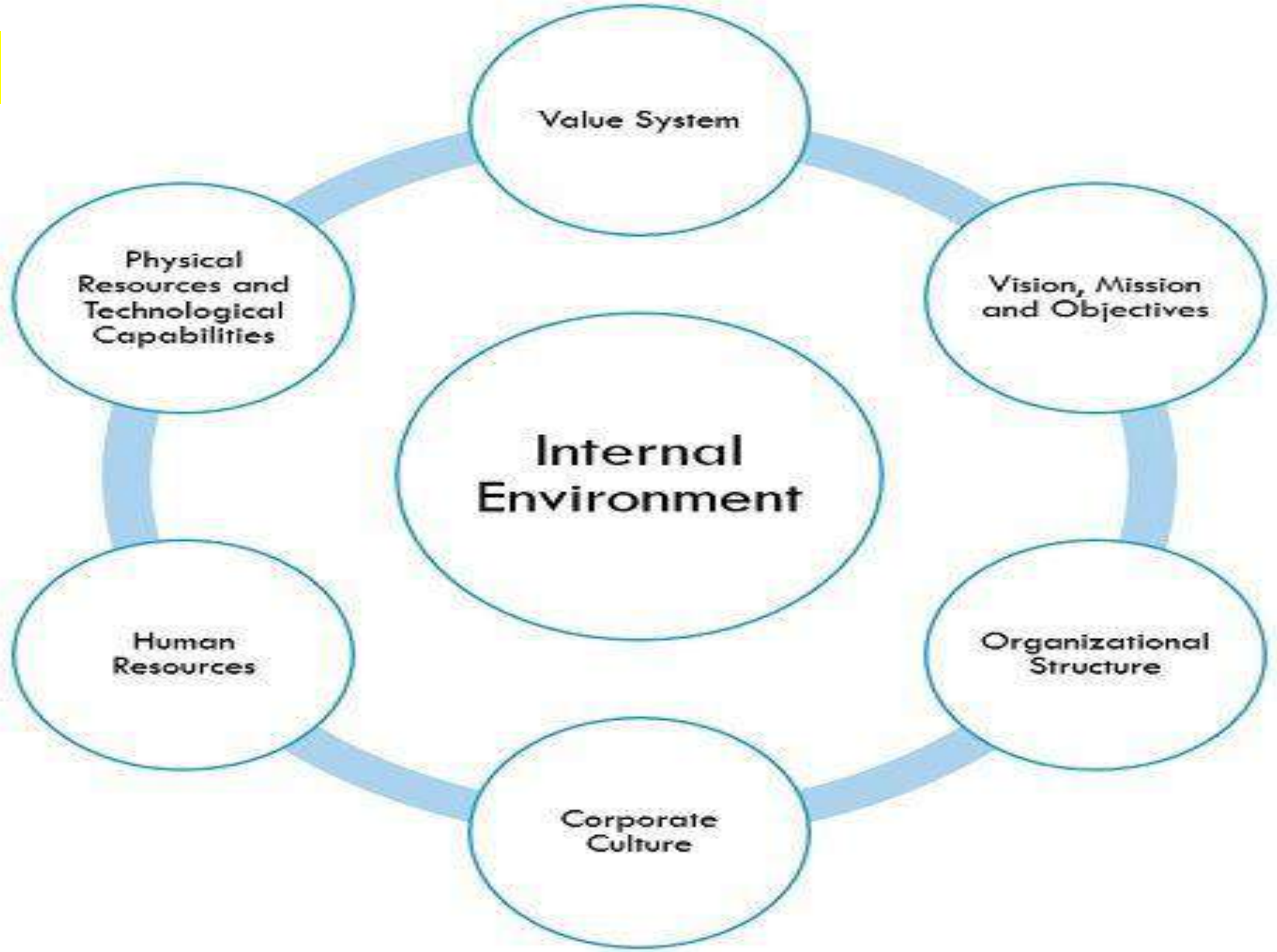
6. Nike
Branding and Marketing: Nike's core competency is its ability to build a powerful brand image associated with high performance, innovation, and empowerment.
Innovation in Product Development: Nike continually invests in technology to develop high-performance, lightweight sportswear and footwear, keeping ahead of competitors in terms of innovation.
Athlete Endorsements: Its strategic use of athlete partnerships and sponsorships is a critical element in its success.
7. Netflix
Content Creation and Curation: Netflix excels in creating and curating content that resonates with global audiences, leveraging data to understand viewer preferences and trends.
Streaming Technology: Netflix has optimized its streaming platform to provide high-quality user experiences with minimal buffering and excellent content delivery.
Global Reach: Netflix's ability to scale globally and localize content for specific markets is a core competency that allows it to dominate the streaming industry.
8. Disney
Content Creation and Storytelling: Disney's deep expertise in storytelling, both in animation and live-action, is a cornerstone of its brand. Its franchises, such as Marvel, Star Wars, and Pixar, create a huge competitive advantage.
Brand and Franchise Management: Disney has become a master of managing its intellectual properties and franchises across multiple channels, including movies, theme parks, TV networks, and merchandise.
Theme Park and Entertainment Experiences: Disney's ability to create immersive, family-friendly entertainment experiences, both in parks and through media, is a key strength.
9. Samsung
Technology and Innovation: Samsung's core competency is its ability to innovate in consumer electronics, particularly smartphones, semiconductors, and display technology.
Manufacturing Capabilities: Samsung has cutting-edge manufacturing capabilities, which allow it to control much of its supply chain, particularly in semiconductors and displays, providing a competitive advantage over rivals.
Vertical Integration: Samsung's strong focus on vertical integration ensures it has control over the production of key components, allowing for cost efficiencies and faster innovation cycles.
10. Facebook (Meta)
Social Media Platform Management: Meta has unparalleled expertise in managing vast social media platforms like Facebook, Instagram, and WhatsApp, integrating features that keep users engaged.
Data-Driven Advertising: Meta's core competency is its sophisticated advertising platform, which allows businesses to target consumers with precise, data-driven ads.
Virtual Reality and Metaverse: Meta is investing heavily in virtual reality (VR) and the metaverse, positioning itself as a leader in the next generation of digital experiences

Internal Environment

Definition: Internal environment is a component of the business environment, which is composed of various elements present inside the organization, that can affect or can be affected with, the choices, activities and decisions of the organization.

Factors Influencing Internal Environment:



- <u>Environmental scanning</u>:
- The process of collecting, evaluating, and delivering information for a strategic purpose is defined as environmental scanning. The process of environmental scanning requires both accurate and personalised data on the business environment in which the organization is operating or considering entering.
- Environmental scanning is a process of gathering information about the events and their relationship with the internal and external environment of the organization. The primary aim of environmental scanning is to find out the future prospects of business organization. Management has to scan two aspects
- - what to scan(nature of scanning)
- - How to go about in the process of scanning (process of scanning)
- Types of Environmental Scanning
- 1. Continuous Scanning
- 2. Periodic Scanning
- 3. Ad-Hoc Scanning
- 4. Strategic Scanning

The characteristics of environmental scanning are as follows:

Continuous Process- The analysis of the environment is a continuous process rather than being sporadic. The rapidly changing environment has to be captured continuously to be on track.

Exploratory Process- Scanning is an exploratory process that keeps monitoring the environment to bring out the possibilities and unknown dimensions of the future. It stresses the fact that “What could happen” and not ”What will happen”.

Dynamic Process- Environmental scanning is not static. It is a dynamic process and depends on changing situations.

Holistic View- Environmental Scanning focuses on the complete view of the environment rather than partially.

- Need for environmental scanning:

- Information for strategic planning
- Detecting new opportunities
- Executive stimulation and development
- Monitoring market trends and fashions
- Monitoring the dynamic business environment

Types of scanning systems

- Irregular or unplanned scanning systems
- Regular or planned scanning systems
- Continuous scanning system

Environmental Scanning Techniques:

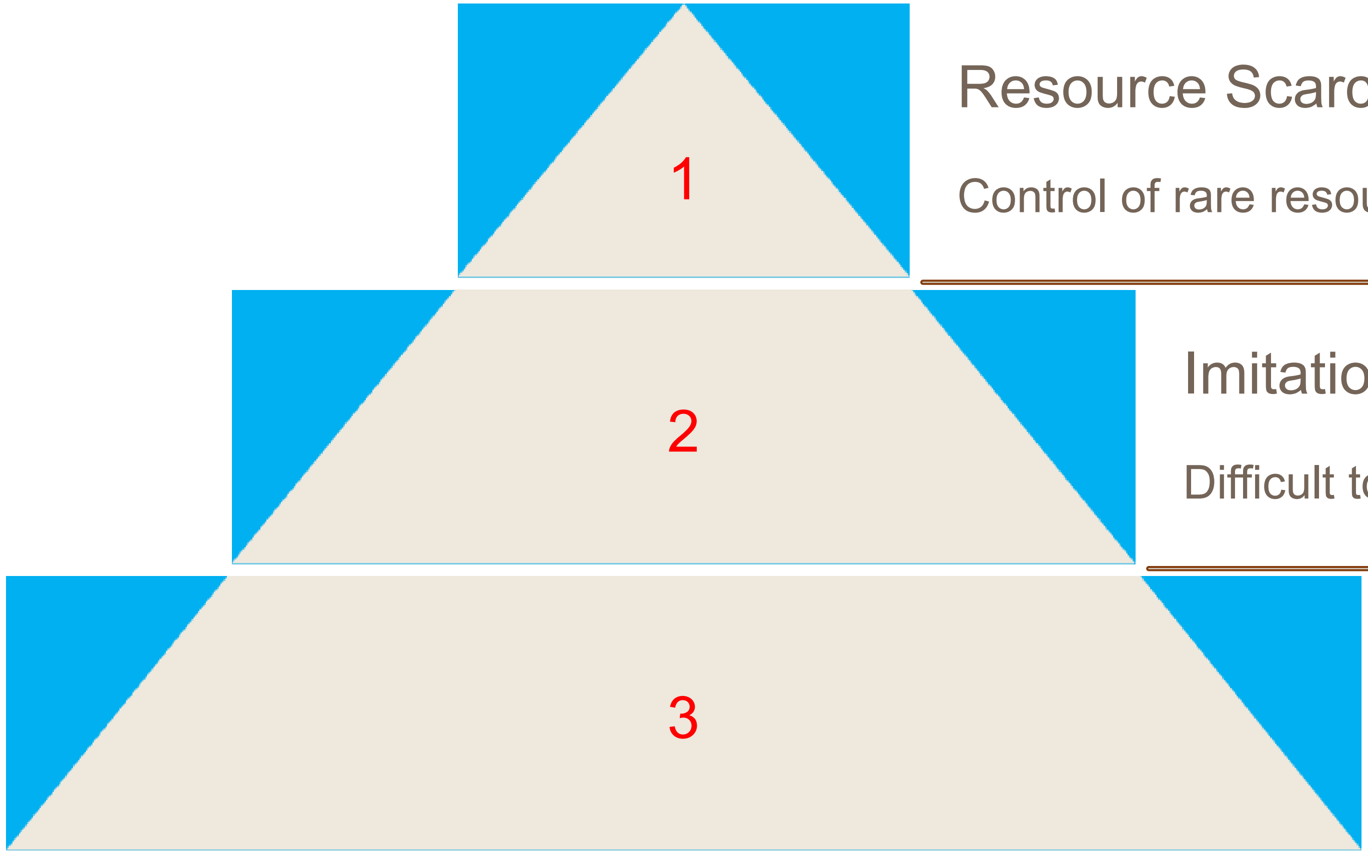
SWOT Analysis- SWOT analysis is an acronym for Strengths, Weaknesses, opportunities and threats analysis of the environment. Strengths and weaknesses are considered as internal factors whereas opportunities and threats are external factors. These factors determine the course of action to ensure the growth of the business.

PEST Analysis- PEST stands for Political, economic, social, and technological analysis of the environment. It deals with the external macro-environment.

ETOP- ETOP stands for the Environmental Threat Opportunity Profile. It helps an organization to analyze the impact of the environment based on threats and opportunities.

QUEST- QUEST stands for the Quick Environmental Scanning Technique. This technique is designed to analyze the environment quickly and inexpensively so that businesses can focus on critical issues that have to be addressed in a short span.

Sources of Sustained Competitive Advantage



Resource Scarcity

Control of rare resources, like patents or skilled labor.

Imitation Barriers

Difficult to replicate skills, technology, or brand reputation.

Dynamic Capabilities

Ability to adapt and change to stay ahead of competitors.

Business Processes and Capabilities-based Approach to Strategy

1

Process Analysis

Identify key business processes that contribute to core competencies.

2

Capability Development

Invest in developing capabilities related to critical processes.

3

Strategic Alignment

Ensure capabilities are aligned with strategic objectives and market opportunities.

Offensive strategies
--SIMULTANEOUS INITIATIVES ON MANY FRONTS
--GUERRILLA OFFENSIVE
--PRE-EMPTIVE STRIKES
--END-RUN OFENSIVES
--CAPITALISE ON COMPETITOR WEAKNESSES

Market leaders
 Runner-up firms
 Small local and regional firms
 Struggling enterprises.

Defensive strategies
SIGNALLING CHALLENGERS
BLOCKING THE AVENUES OPEN

Developing Distinctive Capabilities

1

Knowledge Acquisition

Invest in training, research, and development to gain expertise.

2

Process Improvement

Optimize processes, reduce waste, and increase efficiency through innovation.

3

Relationship Management

Develop strong partnerships with customers, suppliers, and other stakeholders.

Aligning Capabilities with Strategic Objectives

1

Performance Measurement

Monitor progress and track key performance indicators (KPIs) to measure the effectiveness of capabilities.

2

Resource Allocation

Allocate resources strategically to support and enhance critical capabilities.

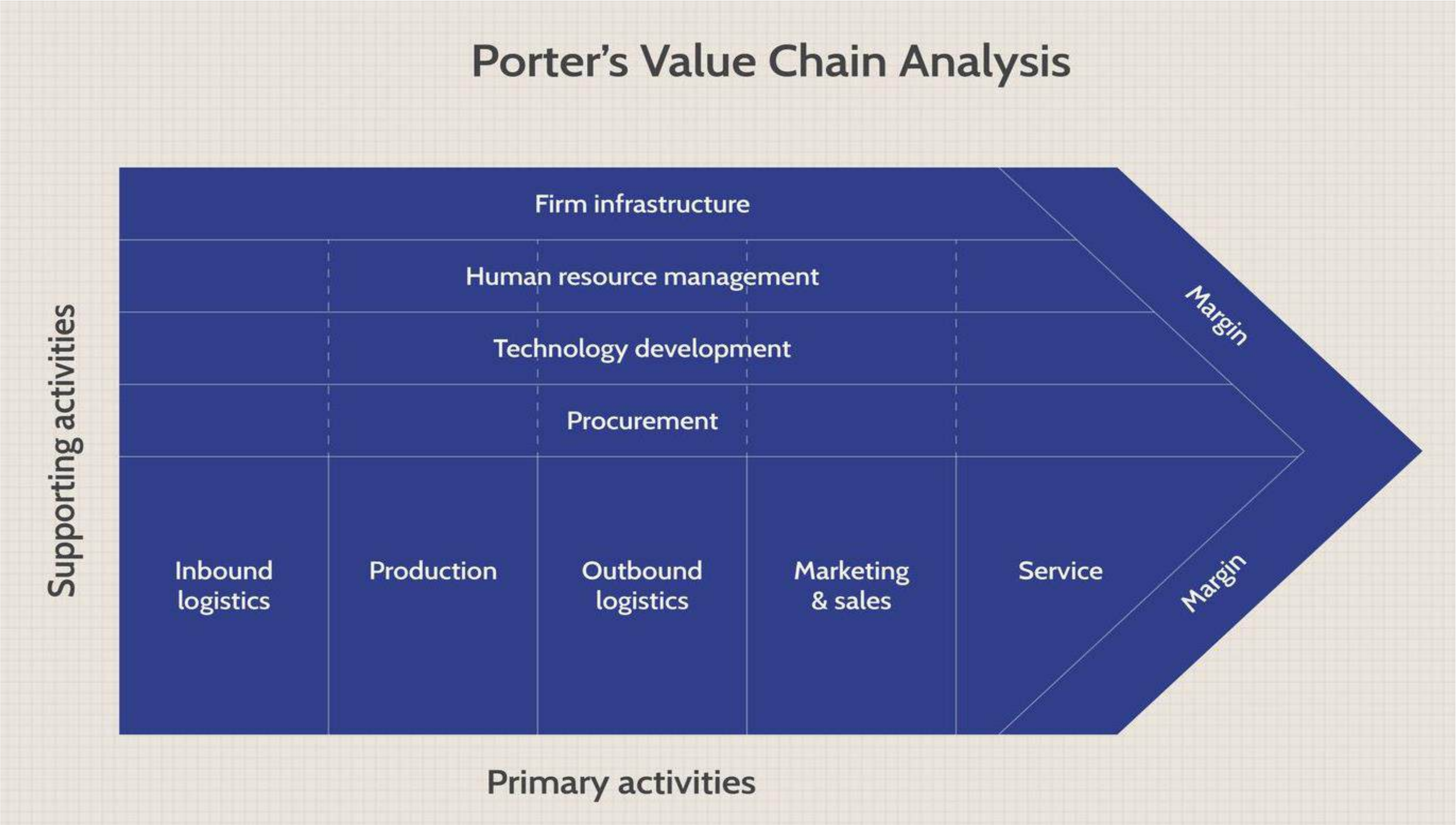
3

Strategic Review

Regularly evaluate and adapt capabilities to ensure alignment with evolving market needs.

External Environments of Firm-Competitive Strategy

Understanding the external environment is crucial for firms to develop winning strategies. In this presentation, we explore the various forces that shape industry attractiveness and how they inform strategic decision-making.



1. To perform an activity in a manner that provides superior value relative to competitors
2. to perform a value-creating activity that competitors cannot perform

Procurement concerns how a company obtains raw materials.

Technological development is used at a firm's research and development (R&D) stage—like designing and developing manufacturing techniques and automating processes.

Human resources (HR) management involves hiring and retaining employees who will fulfill the firm's business strategy and help design, market, and sell the product.

Infrastructure includes company systems and the composition of its management team—such as planning, accounting, finance, and quality control.

Inbound logistics include functions like receiving, warehousing, and managing inventory.

Operations include procedures for converting raw materials into a finished product.

Outbound logistics include activities to distribute a final product to a consumer.

Marketing and sales include strategies to enhance visibility and target appropriate customers—such as advertising, promotion, and pricing.

Service includes programs to maintain products and enhance the consumer experience—like customer service, maintenance, repair, refund, and exchange.

Apple (Technology & Consumer Electronics)

Primary Activities:

Inbound Logistics: Apple sources raw materials (like components from suppliers) globally, such as chips, screens, and batteries.

Operations: Apple assembles its devices through third-party manufacturers, like Foxconn, in China and other regions.

Outbound Logistics: Apple manages a global distribution network through Apple Stores, online stores, and third-party retail partners.

Marketing & Sales: Apple's product launch events, advertising campaigns, and partnerships with mobile carriers are integral in generating demand.

Service: Apple offers after-sales services through AppleCare, tech support, and repair services.

Support Activities:

Firm Infrastructure: Strong organizational structure, focusing on innovation, R&D, and supply chain management.

Human Resource Management: Recruiting top talent for design, engineering, and innovation.

Technology Development: Significant investment in R&D for hardware (e.g., chip development) and software (iOS, macOS).

Procurement: Sourcing quality components and negotiating with suppliers to ensure efficiency


Supplier Power
Buyer Power
Competitive Rivalry
Porter's Five Forces
Threat of substitution
Threat of new entry

Five Forces of Industry Attractiveness that Shape Strategy

Threat of New Entrants

Barriers to entry like high capital investment or government regulations can hinder new competitors from entering the market, making it more attractive for existing players.

Bargaining Power of Suppliers

Powerful suppliers, like those with unique resources or strong brand loyalty, can command higher prices and potentially erode industry profits.

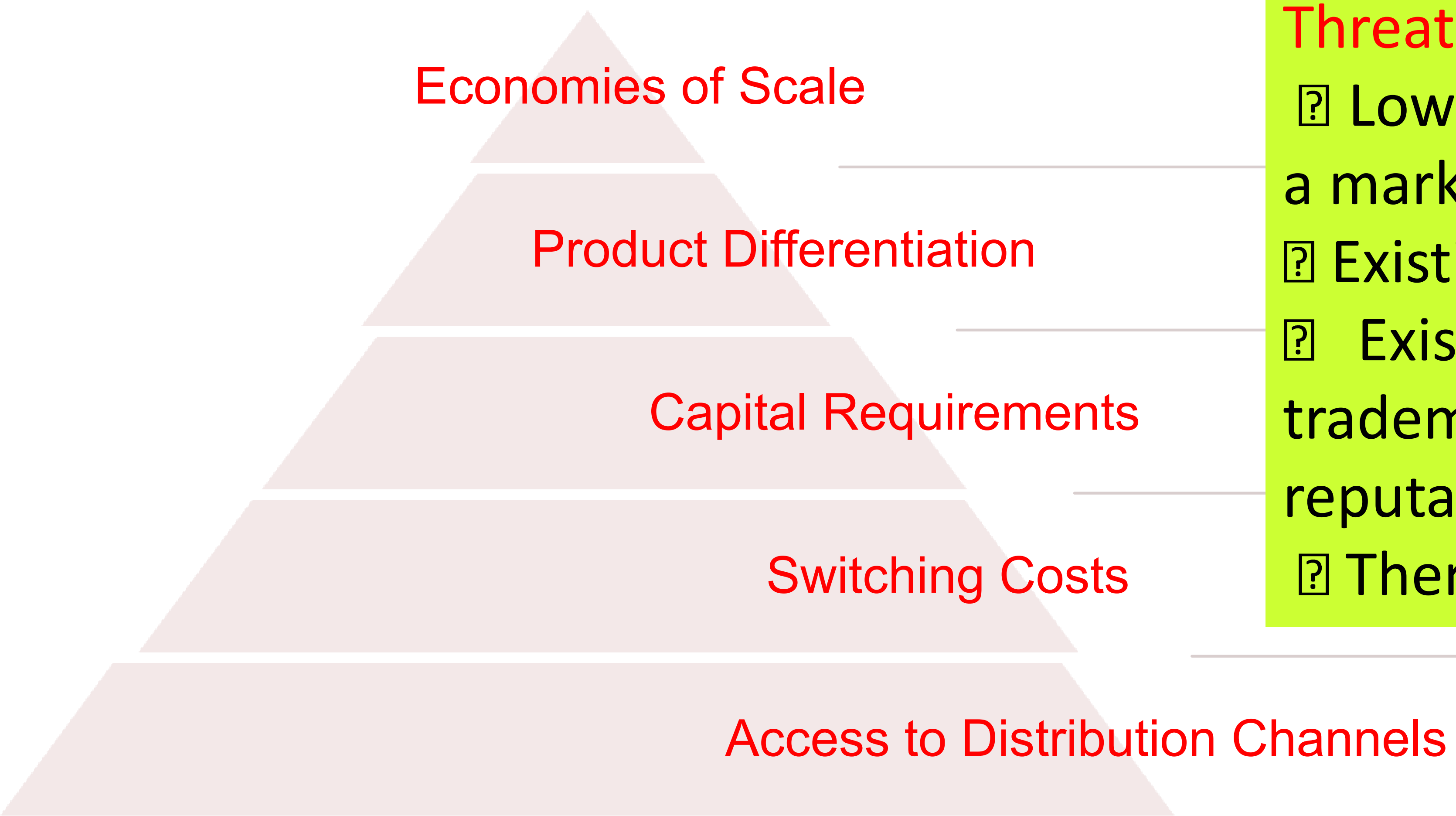
Bargaining Power of Buyers

Buyers with high leverage, such as large volume purchases or easily switching suppliers, can negotiate lower prices, limiting industry profitability.

Threat of Substitute Products or Services

The availability of substitute products or services can erode an industry's attractiveness as consumers may switch to more appealing alternatives.

Threat of New Entrants



Threat of new entrants is high when:

- Low amount of capital is required to enter a market;
- Existing companies can do little to retaliate;
- Existing firms do not possess patents, trademarks or do not have established brand reputation;
- There is no government regulation;

Industries with high barriers to entry are less attractive for new competitors. These barriers include economies of scale, product differentiation, significant capital requirements, high switching costs for buyers, and access to distribution channels.

Bargaining Power of Suppliers

Supplier Concentration

A few dominant suppliers with significant market share can wield considerable bargaining power.

Switching Costs

High switching costs for buyers, such as retraining or finding new suppliers, can enhance the supplier's bargaining position.

Importance of Product

Essential products or services are more likely to give suppliers leverage over their customers, driving up prices.

Threat of Forward Integration

Suppliers who threaten to enter the buyer's industry by producing and selling their products directly can exert stronger bargaining power.

Suppliers have strong bargaining power when:

 There are few suppliers but many buyers;

 Suppliers are large and threaten to forward integrate;

 Few substitute raw materials exist;

 Suppliers hold scarce resources;

Bargaining Power of Buyers

1

Buyer Concentration

Few buyers with significant purchase volumes can leverage their bargaining power to negotiate lower prices.

2

Importance of Product

Buyers purchasing products that represent a significant portion of their costs are more likely to bargain aggressively for lower prices.

3

Switching Costs

Low switching costs for buyers, such as easily changing suppliers, increase their bargaining power.

4

Threat of Backward Integration

Buyers who threaten to enter the supplier's industry by producing their own products can gain bargaining power.

Buyers exert strong bargaining power when:
 Buying in large quantities or control many access points to the final customer
 Only few buyers exist
Switching costs to other supplier are low
 They threaten to backward integrate
 There are many substitutes
 Buyers are price sensitive.

Threat of Substitute Products or Services

1

Availability

The presence of readily available substitutes can limit an industry's growth potential.

2

Price Competitiveness

Attractive substitutes that offer similar benefits at lower prices can significantly impact industry profitability.

3

Performance

Substitutes with superior performance or features can draw customers away from existing products.

4

Switching Costs

Low switching costs, such as easily transitioning to a substitute product, can enhance the threat of substitutes.

Intensity of Rivalry Among Existing Competitors

1

Industry Growth Rate

Slow industry growth often leads to intense competition as firms scramble for market share.

2

Fixed Costs

High fixed costs can incentivize firms to aggressively compete to fill capacity and reduce costs.

3

Product Differentiation

Low product differentiation increases rivalry as firms try to outcompete each other on price or other factors.

4

Switching Costs

Low switching costs for buyers make it easier for competitors to steal customers, intensifying rivalry.

Rivalry among competitors is intense when:

- There are many competitors;
- Exit barriers are high; Industry of growth is slow or negative;
- Products are not differentiated and can be easily substituted;
- Competitors are of equal size;
- Low customer loyalty.

The Concept of Strategic Groups

Strategic Groups

Groups of companies that pursue similar strategies, target similar customer segments, and compete in the same markets.

Competitive Dynamics

Understanding strategic groups allows firms to identify their closest competitors and tailor their strategies accordingly.

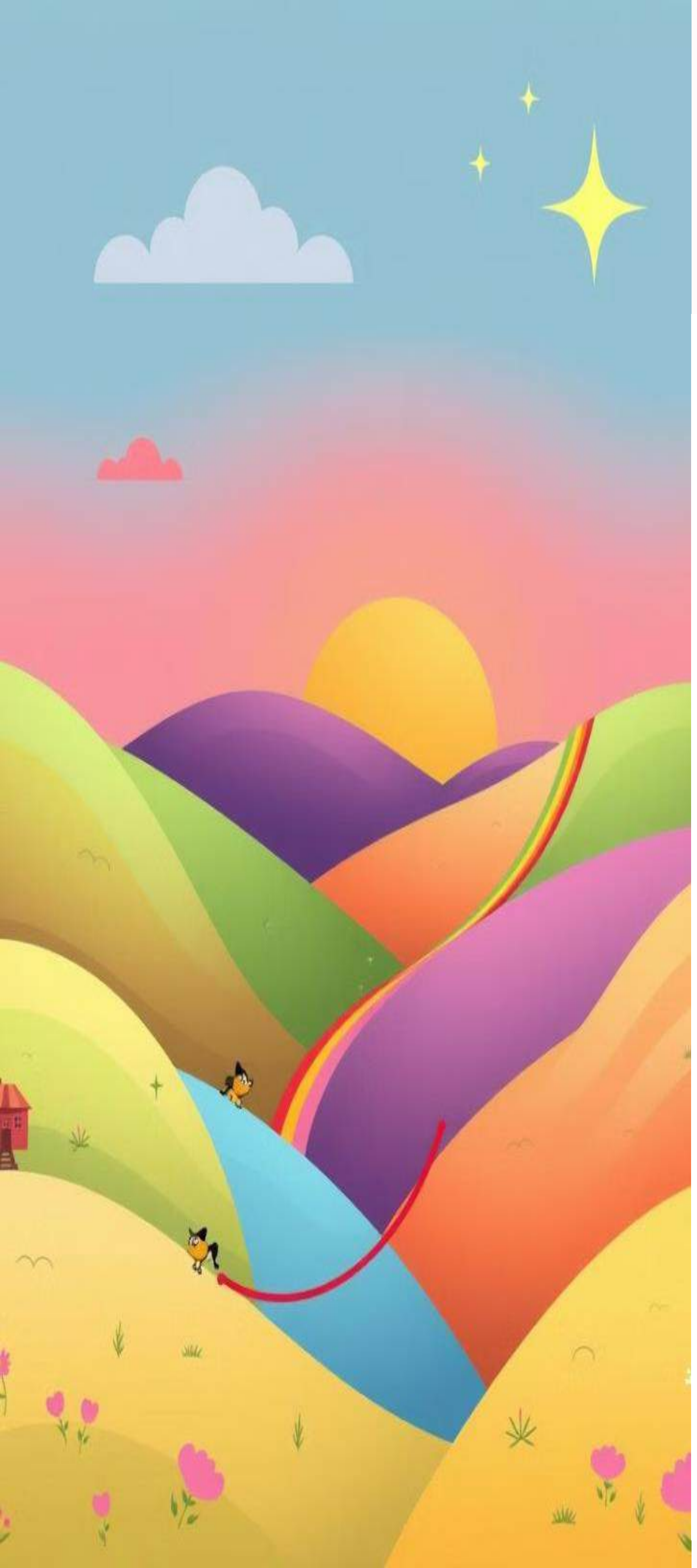
Competitive Advantage

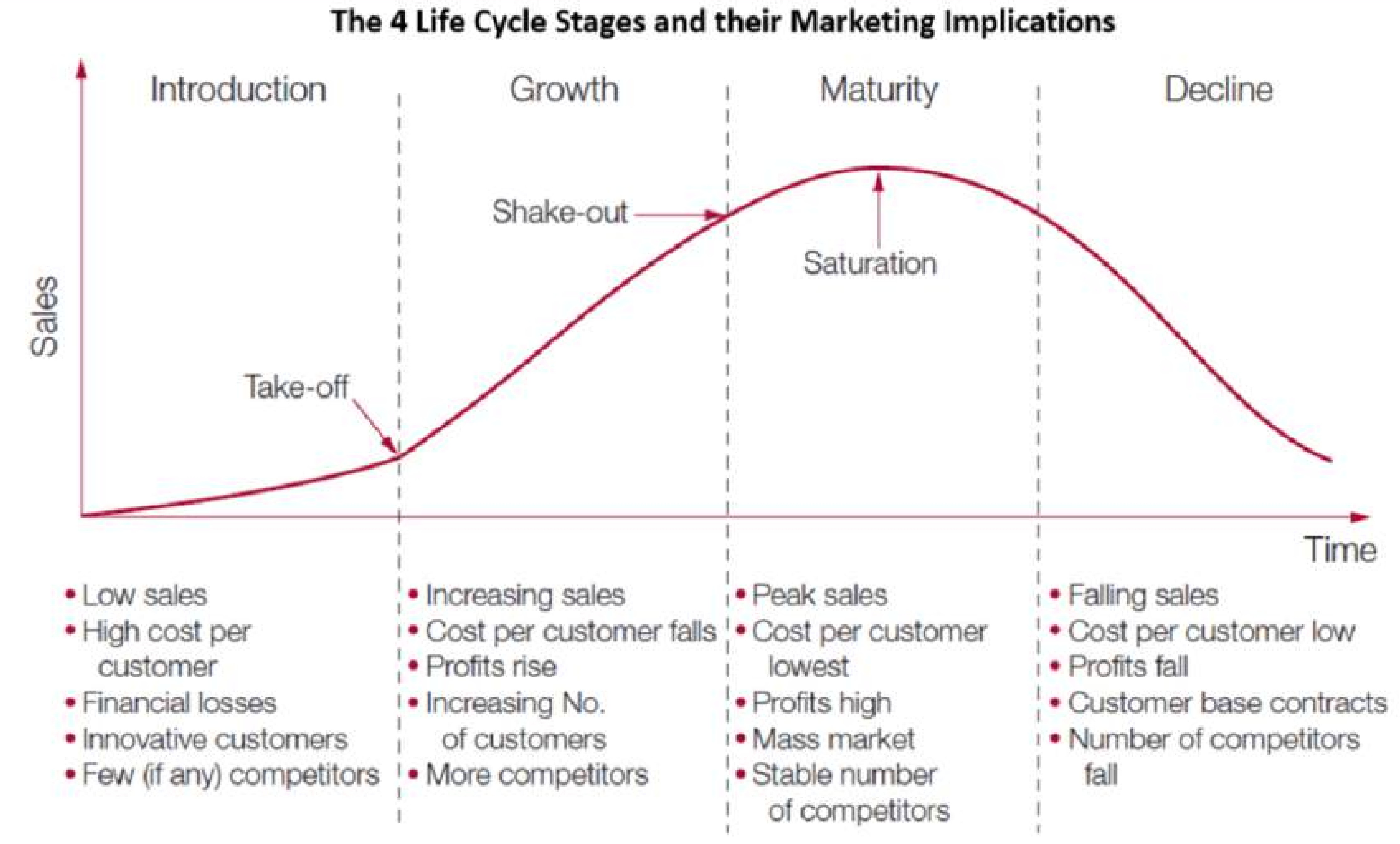
Firms within a strategic group can develop competitive advantages through differentiation, cost leadership, or focus strategies.

Industry Dynamics

Changes in the industry, such as new technologies or shifting consumer preferences, can impact the competitive landscape and the dynamics of strategic groups.

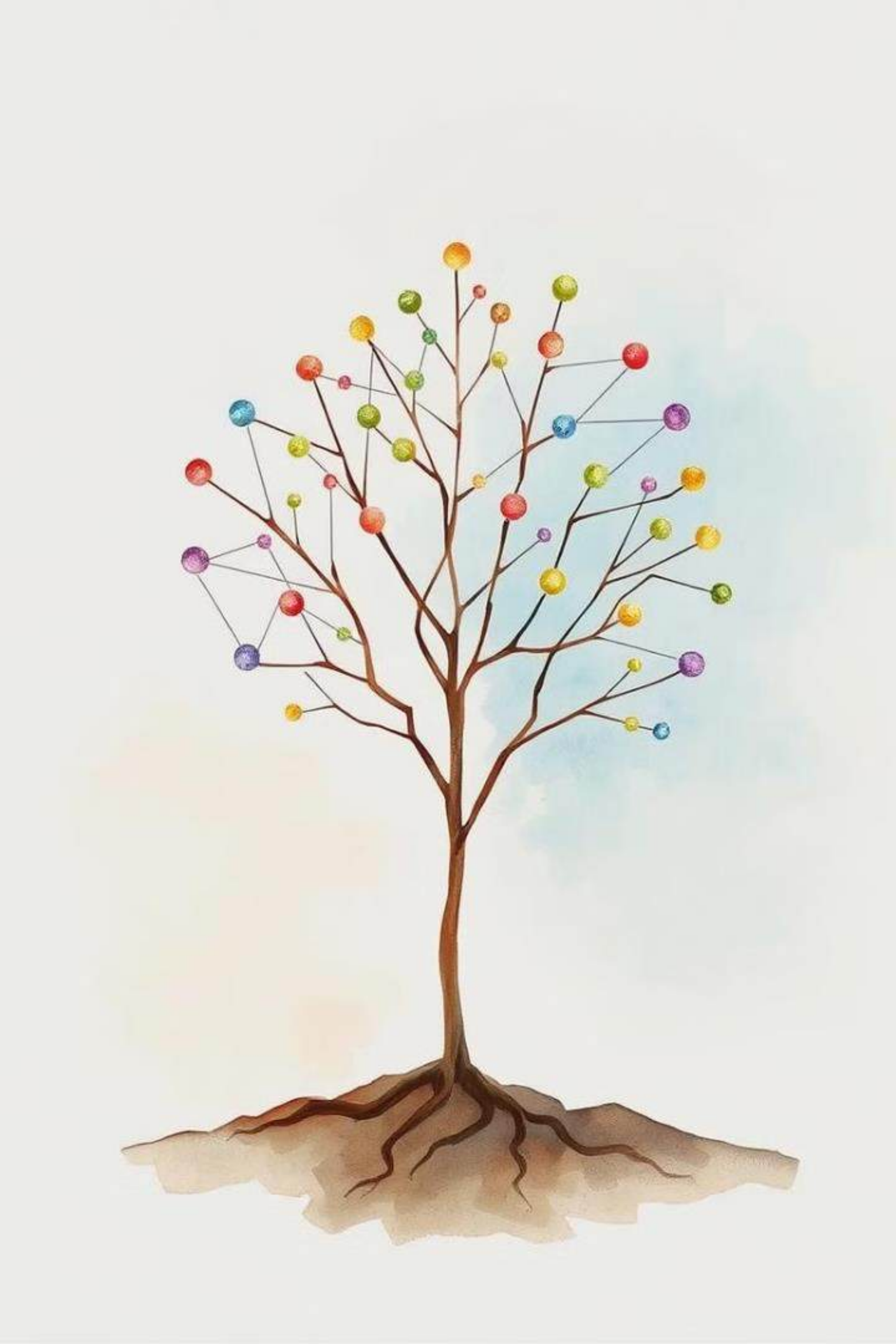
INDUSTRY LIFE CYCLE





Generic Strategies and the Value Chain

Generic strategies, such as cost leadership, differentiation, and focus, can be applied across the value chain to achieve competitive advantage. Understanding each activity's value contribution can inform strategic decision-making.



Corporate Strategy and Growth Strategies

The Motive for Diversification

Reduce Risk

Diversification spreads investments across different industries, mitigating potential losses if one sector experiences decline. This strategy reduces dependence on a single market, bolstering overall business stability.

Enhance Growth

Diversification provides access to new markets and customer segments, driving revenue growth. By expanding into unrelated areas, companies can tap into new revenue streams and diversify their income.

Related and Unrelated Diversification

Related Diversification

Companies extend operations into related industries with synergies in resources, customers, or technology. This strategy leverages existing expertise and builds on core competencies. An example is a beverage company acquiring a snack food brand.

Unrelated Diversification

Companies venture into unrelated businesses with minimal connections to their core operations. This approach aims to diversify risk and tap into new markets. For instance, a tech company purchasing a luxury hotel chain.


THE BCG MATRIX
RELATIVE MARKET SHARE
High
Low
MARKET GROWTH
High
Low
$
$
High Growth, High Share. A significant amount of investment should be made in "Star" products.
High Growth, Low Share. Investment should be made in "Question Mark" products depending on their chances of becoming stars.
Low Growth, High Share. "Cash Cows" should be milked so products can be reinvested in "Stars" and "Question Marks".
Low Growth, Low Share. Businesses should liquidate, divest, or reposition products in the "Dogs" category.
The Power MBA

Business Portfolio Analysis

Boston Consulting Group (BCG) Matrix is a four celled matrix (a 2 * 2 matrix) developed by BCG, USA.

It is the most renowned corporate portfolio analysis tool.

It provides a graphic representation for an organization to examine different businesses in its portfolio on the basis of their related market share and industry growth rates.

It is a two dimensional analysis on management of SBU's (Strategic Business Units).

In other words, it is a comparative analysis of business potential and the evaluation of environment.

Stars (High Growth, High Share): These products are market leaders in high-growth industries, requiring significant investment to maintain their position and capitalize on growth opportunities.

Examples:

- **iPhone (Apple):** A dominant smartphone brand in a rapidly growing market.
- **Kinley and Dasani bottled water brands:** Dominant in Europe and US markets, showing no signs of slowing down.
- **Thumbs Up, Maaza, and Kinley (Coca-Cola):** High-growth, high-market-share products in the Coca-Cola portfolio.

Cash Cows (Low Growth, High Share): These products have a strong market position in mature industries, generating significant cash flow that can be reinvested in other areas of the business.

Examples:

- **MacBook (Apple):** A long-standing, popular laptop line with a high market share in a mature market.
- **Coca-Cola drinks (Coca-Cola):** A classic beverage with a high market share in a stable market.
- **Milk, butter, and cheese (Amul):** Products with a strong market share in the dairy industry.

Question Marks (High Growth, Low Share): These products are in high-growth industries but have a weak market position, requiring significant investment to gain market share or potentially be divested.

Examples:

Apple TV (Apple): A new product line in a growing market, requiring significant investment to gain market share.

Fanta and Sprite (Coca-Cola): Products with high growth potential but lower market share.

Non-dairy products (Amul): Areas of innovation or diversification with growth opportunities but require further investment.

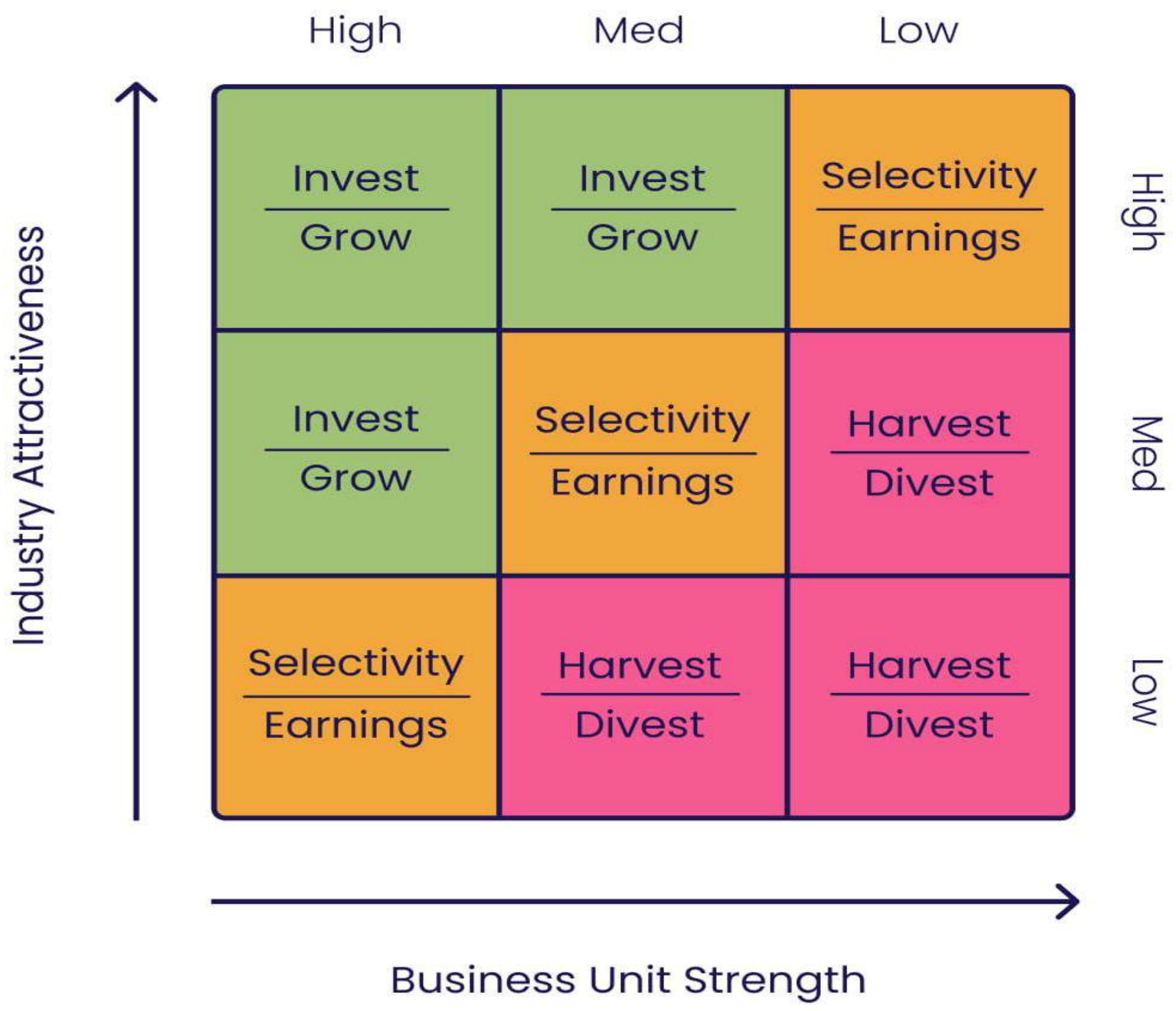
Dogs (Low Growth, Low Share): These products have a weak market position in low-growth industries, often requiring a decision of whether to invest to improve or to divest.

Examples:

Minute Maid's Pulp drinks (Coca-Cola): Products with low growth and market share.

Certain niche or seasonal products (Amul): Products with low market share and limited growth prospects.

GE-McKinsey nine-box matrix **is a strategy tool that offers a systematic approach for the multi-business corporation to prioritize its investments among its business units**



Industry Attractiveness
Industry Size
Industry Growth
Industry Profitability
Capital Intensity
Technological Stability
Competitive Intensity
Cyclicality

Competitive Position
Market Share
Technological knowhow
Product Quality
After-sales Service
Price Competitiveness
Low Operating Costs
Productivity

About Maruti Udyog

- Founded in 1981
- Products are Maruti 800, Omni, Alto,SX4,Swift Desire,Swift,A-star, Gypsy,Wagon R,Ritz,others.
- Vision – **"The Leader in the Indian Automobile Industry, Creating Customer Delight and Shareholder's Wealth;a Pride of India"**
- Core Values : Our Core Values drive us in every endeavour-
    - Customer Obession,
    - fast, Flexible & first mover,
    - Innovation & creativity
    - Networking & Partnership
    - Openess & Learning

GE matrix

Industry attractiveness – Size, Market Growth, Pricing, Mkt. Diversity Competitive Structure, Industry Profitability

Business strength - Size - Growth - Share - Position - Profitability - Margins - Tech. Position - Image - People		**High**	**Medium**	**Low**
	High	Investment and growth (G) SWIFT	Investment and growth (G) ALTO	Selectivity/ Earnings A-STAR
	Medium	Investment and growth (G) SWIFT DEZIRE	Selectivity/ Earnings SX4	Harvest BALENO
	Low	Selectivity/ Earnings WAGON R	Harvest VERSA	Harvest OMNI

Understanding the Matrix:

Industry Attractiveness:

This assesses the overall appeal of a market, considering factors like market size, growth rate, profitability, competition, and technological trends.

Business Unit Strength:

This evaluates the competitive position of a specific business unit, looking at market share, brand reputation, product quality, distribution, and cost structure.

The 9 Cells:

The matrix uses a 3x3 grid, with each cell representing a different strategic action based on the combination of industry attractiveness and business unit strength.

2. Nestle's Potential Application:

High Attractiveness/High Strength (Green Zone):

Nestle's core brands like KitKat (in some markets) or Nescafé could fall into this category, suggesting a "build" or "invest" strategy to capitalize on their strengths in a promising market.

High Attractiveness/Average Strength (Yellow Zone):

A product line like Maggi noodles (in some markets) might be in this zone, requiring a "hold" or "selective investment" strategy to maintain its position while addressing competitive pressures.

High Attractiveness/Low Strength (Red Zone):

A new, niche product line that Nestle is trying to launch could be in this zone, suggesting a "harvest" or "divest" strategy, depending on the long-term prospects.

Average Attractiveness/High Strength (Green Zone):

A brand that is strong but in a market with moderate growth potential could be in this zone, suggesting a "selective investment" or "hold" strategy.

Average Attractiveness/Average Strength (Yellow Zone):

A product line that is neither a strong nor a weak performer in a moderately attractive market could be in this zone, suggesting a "hold" or "selective investment" strategy.

Average Attractiveness/Low Strength (Red Zone):

A product line that is weak in a moderately attractive market could be in this zone, suggesting a "harvest" or "divest" strategy.

Low Attractiveness/High Strength (Green Zone):

A brand that is strong but in a market with low growth potential could be in this zone, suggesting a "harvest" or "selective investment" strategy.

Low Attractiveness/Average Strength (Yellow Zone):

A product line that is neither a strong nor a weak performer in a low-growth market could be in this zone, suggesting a "harvest" or "divest" strategy.

Low Attractiveness/Low Strength (Red Zone):

A product line that is weak in a low-growth market could be in this zone, suggesting a "divest" or "harvest" strategy.

- **Market Penetration** involves increasing the sales volume of established products in existing markets.
- **Market Development** includes the introduction of established products into new markets.
- **Product Development** involves the introduction of novel products into established markets.
- **Diversification** involves the introduction of fresh products or services into unexplored markets.

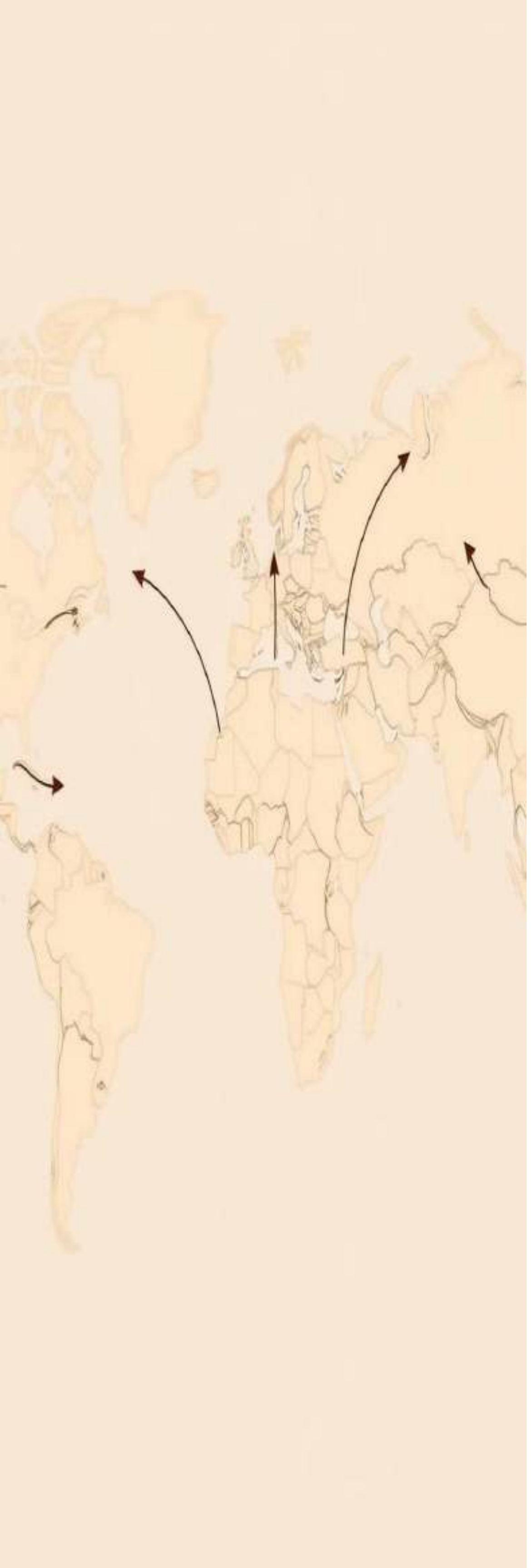
1. Market Penetration
Price Adjustments
Marketing Campaigns
Product Enhancement
Distribution Expansion

2. Market Development
Geographic expansion
Demographic Targeting
Channel Diversification
Strategic Partnerships

Product Development
Research and Development
Product Differentiation
Customer Feedback
Brand Extension

Diversification
Related Diversification
Unrelated Diversification.
Mergers and Acquisitions
Joint Ventures

	Market Penetration	Market Development	Product Development	Diversification
Objective	Increase market share with existing products in existing markets.	Introduce existing products to new markets or customer segments.	Introduce new products to existing markets.	Explore entirely new markets with new products that the company has not offered before.
Approach	Focus on selling more of the current products to the existing customer base or attracting new customers within the current market.	Expand the reach of current products to new geographic areas or target different customer segments.	Innovate and develop new products or improve existing ones to meet the needs of the current market.	Acquiring or merging with other companies, investing in research and development for new products, or entering entirely different industries.
Tactics	Price adjustment, increased marketing and advertising, loyalty programs, and improvements in product quality or features.	Entering new regions, targeting different demographic groups, or exploring untapped market segments.	Research and development, product diversification, and introducing variations of upgrades to existing products.	The matrix is typically represented as a 2*2 grid, with the horizontal axis representing products (existing and new) and the vertical axis representing markets (existing and new). By plotting their growth options on this matrix, companies can visually assess and choose the most suitable strategy for their specific situation.



Expansion, Integration and Diversification

Expansion

Growing into new geographic markets or expanding product lines within existing markets.

Integration

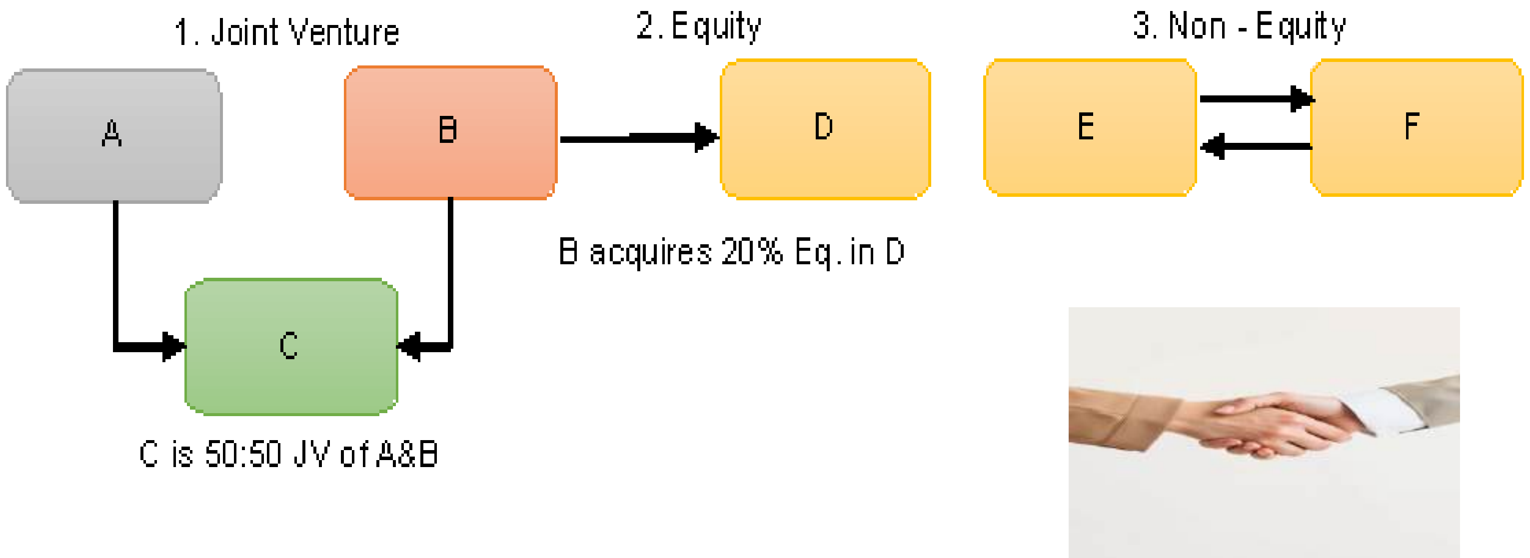
Merging or acquiring businesses to gain control over the supply chain, distribution channels, or complementary services.

Diversification

Entering new industries with unrelated products or services to diversify risk and create new revenue streams.

Strategic alliances are agreements between two or more independent companies to cooperate in the manufacturing, development, or sale of products and services, or other business objectives.

Maruti (Government of India) and Suzuki Motor Company: A joint venture to produce automobiles in India.
•**Kwality (Delhi based ice-cream company) and Walls (Hindustan Unilever):** A partnership to distribute ice cream



Types of Strategic Alliances
There are three types of strategic alliances: Joint Venture, Equity Strategic Alliance, and Non-equity Strategic Alliance.

#1 Joint Venture
A joint venture is established when the parent companies establish a new child company.

#2 Equity Strategic Alliance
An equity strategic alliance is created when one company purchases a certain equity percentage of the other company. If Company A purchases 40% of the equity in Company B, an equity strategic alliance would be formed.

#3 Non-equity Strategic Alliance
A non-equity strategic alliance is created when two or more companies sign a contractual relationship to pool their resources and capabilities together.

Reasons for Strategic Alliance:
Gaining access to a restricted market (China)
Gaining a foothold in new marker
Increase the speed of development of new products
Maintain leadership position
Leverage upon the befits like economies of scale, lower cost
De-risking the R&D efforts
Gain market power (especially pricing power)
Gain access to know-how
Pool resources to fund large capital intensive projects
Gaining a competitive advantage against competitors

Benefits of Strategic Alliances

- A strategic alliance may allow the firm to achieve the benefits of fast market entry while keeping costs down.
- Enabling a firm to focus resources on its core skills & competencies while acquiring other components or capabilities it lacks from the partners.
- Enable partner firms to combine their individual strengths & work together to reduce non-value-adding activities which lead to improved performance.
- Improve market power of a firm because the distribution channels & buying power of the partners can be combined.

•**Tata Group and Starbucks:**
Tata Group partnered with Starbucks to operate and franchise Starbucks coffee shops in India, expanding Starbucks' presence in the Indian market.
•**Maruti and Suzuki:**
The alliance between these two companies has transformed India's auto industry, showcasing the power of strategic partnerships.

•**Apple and Mastercard (Apple Pay integration)**

•**Louis Vuitton and BMW**

•**Disney and Chevrolet**

Joint Venture

A joint venture is a business entity created by two or more parties, generally characterized by shared ownership, shared returns and risks, and shared governance

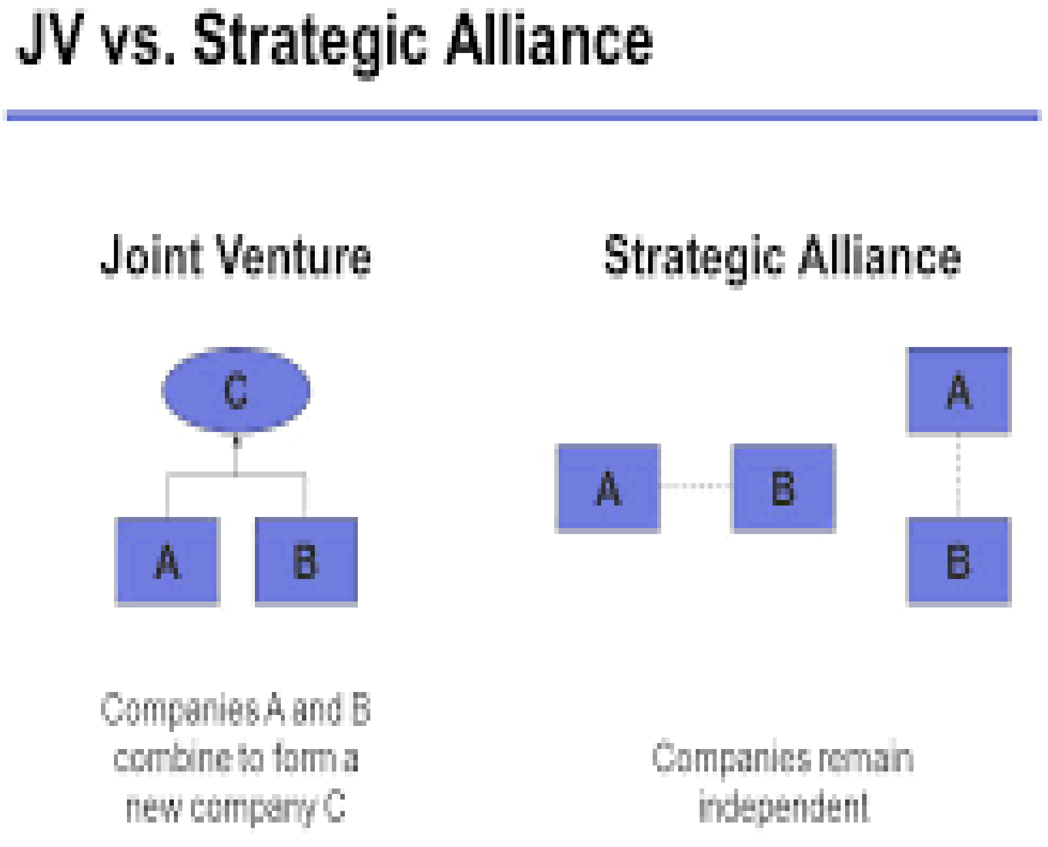
Reasons for Forming Joint Ventures:

There are several **motivations** for businesses to enter into joint ventures, which can be classified as follows:

Access to Markets: Businesses often collaborate to gain entry into new geographical areas or customer segments.

Shared Resources: By sharing resources such as technology, expertise, or infrastructure, companies can reduce costs and increase efficiency.

Risk Sharing: Joint ventures allow partners to share both the investment and risks associated with a project.



- **Coal India and EDF (France):**
Coal India, a state-run Indian company, is partnering with EDF, a French company, to establish a joint venture focused on building renewable power plants in South Asian countries.
- **Hindustan Aeronautics Limited (HAL):**
HAL, India's aerospace and defense manufacturer, has a history of collaborating with international companies to build high-tech military equipment in India.
- **Examples of HAL's Joint Ventures:**
    - **Boeing:** HAL has partnered with Boeing for various projects.
    - **Dassault Aviation:** HAL has also collaborated with Dassault Aviation.
    - **Sukhoi:** HAL has worked with Sukhoi on projects as well.
- **Other Joint Venture Examples:**
    - **Mahindra-Renault:** Mahindra and Renault have a joint venture in the automobile industry.
    - **Bharti-AXA General Insurance Co. Ltd:** Bharti and AXA General Insurance have a joint venture in the insurance industry.
    - **Tata Starbucks Pvt. Ltd:** Tata and Starbucks have a joint venture in the food and beverage industry.
    - **Honda and LG Energy Solution:** Honda and LG Energy Solution have a joint venture focused on electric vehicle (EV) battery technology

- **FAILED VENTURES:**
- Ford – Mahindra. Ford & Mahindra. ...
- Suzuki – TVS. Suzuki & TVS. ...
- Yamaha – Escorts. Yamaha & Escort. ...
- LML – Piaggio. LML & Piaggio. ...
- Nissan – Ashok Leyland. Nissan & Ashok Leyland. ...
- Hero – BMW. Hero & BMW. ...
- Garware Motors – Hyosung

Mergers & Acquisitions

Market Domination

Acquiring competitors or combining with them can create market dominance and increase market share.

Access to Resources

Mergers can provide access to new technology, intellectual property, or other valuable assets.

Cost Reduction

Mergers can reduce costs by eliminating redundancies and streamlining operations.

A merger describes two firms that join forces to move forward as a single new entity, rather than remain separately owned and operated.

When one company takes over another and establishes itself as the new owner, the purchase is called an acquisition.

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

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

Horizontal merger: Two companies that are in direct competition and share the same product lines and markets

Vertical merger: A customer and company or a supplier and company, such as an ice cream maker merging with a cone supplier

Congeneric mergers: Two businesses that serve the same consumer base in different ways, such as a TV manufacturer and a cable company

Market-extension merger: Two companies that sell the same products in different markets

Product-extension merger: Two companies selling different but related products in the same market

Conglomeration: Two companies that have no common business areas

Common M&A Valuation Methods:

- **Discounted Cash Flow (DCF) Analysis:** This method calculates the present value of a company's future cash flows to determine its worth.
- **Comparable Company Analysis:** This approach uses financial metrics of similar publicly traded companies (comparable companies) to estimate the target company's value.
- **Comparable Transaction Analysis:** This method analyzes the valuation metrics of past similar transactions (comparable transactions) in the industry to determine the target company's value.
- **Asset-Based Approach:** This method focuses on the value of the company's assets and liabilities.
- **Market-Based Approach:** This approach relies on analyzing the market value of comparable publicly traded companies, known as guideline companies or multiples.
- **Revenue Multiple Valuation:** This method uses multiples of revenue to determine the value of a company.
- **Dividend Valuation Model:** This model suggests that a company's market value is supported by the current value of its future dividends.
- The price-to-earnings (P/E) ratio

Telecom:

Vodafone-Idea Merger (2018): Vodafone India and Idea Cellular merged to form Vodafone Idea Limited, creating India's largest telecom company.

Bharti Infratel and Indus Towers Merger: This merger created a large infrastructure company.

E-commerce:

- **Walmart Acquisition of Flipkart (2018):**
Walmart acquired a majority stake in Flipkart, a leading Indian e-commerce company, allowing Walmart to enter the Indian market.
- **Flipkart-Myntra:**
Flipkart acquired Myntra, a fashion e-commerce platform, to strengthen its position in the e-commerce market.

Banking and Finance:

- **HDFC Bank and HDFC Ltd Merger (2021):** The merger created a financial services conglomerate.
- **State Bank of India (SBI) and Its Associate Banks (2017):** SBI merged with its associate banks and Bharatiya Mahila Bank.
- **Kotak Mahindra Bank-ING Vysya Bank (2014):** Kotak Mahindra Bank acquired ING Vysya Bank.

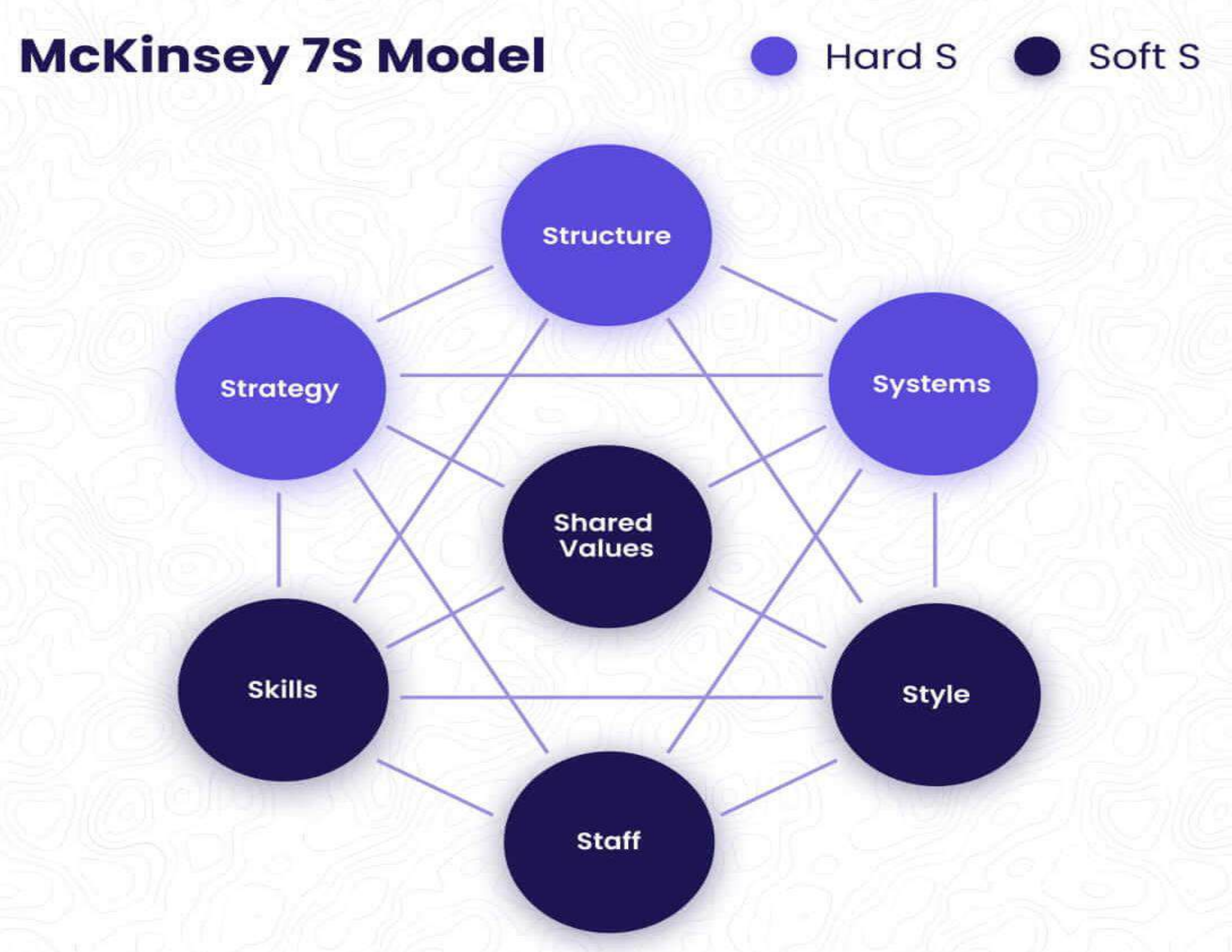
- **Tata Steel and Corus Group (2007):** Tata Steel acquired Corus, a major European steel producer.
- **Aditya Birla Group's Grasim and UltraTech Cement (2010):**

Strategy Implementation: A Roadmap for Success

This presentation outlines a structured approach to strategy implementation, exploring the key elements of structure, systems, and governance that drive successful execution. We'll delve into the powerful 7S Framework and its application in aligning your organization for effective strategy deployment. This framework serves as a guide for building a strong foundation for successful implementation. We will also discuss the importance of corporate governance in ensuring ethical and responsible behavior in all business activities.

INTRODUCTION:-

- MC KINSEY is a global management consulting firm & the trusted advisors to the worlds leading businesses, government, and institutions.
- Founded by **James o. Mckinsey in 1926**.
- The 7 S framework is a management model developed by **Robert J. Waterman & Tom Peters** (also developed MBWA i.e management by walking around).
- The model is most often used as tool to assess & monitor changes in the internal situation on organisation



The 7S Framework: A Visual Overview

Structure

Reporting lines, decision-making authority, and the overall hierarchy of the organization. A well-defined structure enables efficient communication, collaboration, and accountability, ensuring tasks are clearly assigned and responsibilities are understood.

Systems

The processes, procedures, and workflows that govern daily operations. Effective systems guarantee consistent performance, smooth execution, and clear guidelines for task completion. They also enable efficient resource allocation, reducing waste and optimizing productivity.

Strategy

The overarching strategic plan that guides the organization's direction. A well-defined strategy provides a clear vision, establishes priorities, and allocates resources towards achieving long-term objectives.

Skills

The competencies possessed by the workforce, crucial for successful strategy execution. Identifying skill gaps and investing in development programs are necessary for ensuring the team possesses the capabilities to meet strategic objectives.

Shared Values

The common goals and beliefs that unite the organization. Clearly defined values guide behavior, decision-making, and actions, ensuring alignment towards strategic goals and fostering a shared sense of purpose. Vision, mission etc.,

Style

The culture and values that dictate the organization's operating principles. A strong style cultivates employee engagement, fostering a motivated workforce aligned with organizational goals.
It guides decision-making, promoting consistency and a shared understanding of priorities.

Staff

The people within the organization, including their skills, experience, and motivation. Strategic implementation necessitates attracting, retaining, and developing skilled talent. Investing in employee training and fostering a positive work environment are vital for success.

Application of the McKinsey 7S Model:

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

Step 1: Identify the areas that are not effectively aligned

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

Step 2: Determine the optimal organization design

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

Step 3: Decide where and what changes should be made

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

Step 4: Make the necessary changes

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

Advantages of the Model

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

Disadvantages of the Model

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

Starbucks Core Values

1. Provide a great work environment and treat each other with respect and dignity.
2. Embrace diversity as an essential component in the way we do business.
3. Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee.
4. Develop enthusiastically satisfied customers all the time.
5. Contribute positively to our communities and our environment.
6. Recognize that profitability is essential to our future success.

McKINSEY 7S USED BY APPLE

- **Shared Values** - business is aligned around the values of design and user experience
- **Strategy** - focus on a small number of products and to make them innovative and excellent – enabling the business to capture a huge market share relative to its size, and build a loyal customer following

Continued...

- **Staff** - offers their employees huge benefits
- **Skills** - highly qualified and creative employees
- **Systems** - supply chain with built capacity for launching and supplying huge new market-dominating products
- **Style** - people are free to innovate – as long as they met Jobs' high standards

What Is Corporate Governance?

Corporate governance is the system of rules, practices, and processes by which a company is directed and controlled.

Establishing and implementing these practices involves balancing the interests of a company's many stakeholders, including:

- **Employees**
- **Shareholders**
- **Senior management**
- **Customers**
- **Suppliers**
- **Lenders**
- **Local, state, and federal governments**
- **Community members and groups**

Benefits of Corporate Governance:

- Build trust with investors, the community, and public officials
- Give investors and other stakeholders a clear idea of a company's direction and business integrity
- Promote long-term financial viability, opportunity, and returns
- Facilitate the raising of capital
- Contribute to rising share prices
- Improve a company's reputation and customer retention
- Reduce the potential for financial loss, waste, risks, and corruption

The Anglo-American Model

This model can take various forms, such as the Shareholder, Stewardship, and Political Models. The Shareholder Model is the principal model at present.

The Continental Model

Two groups represent the controlling authority under the Continental Model. They are the supervisory board and the management board.

The Japanese Model

The key players in the Japanese Model of corporate governance are:

Banks

Affiliated entities

Management

The government

Major shareholders, known as Keiretsu, who may be invested in common companies or have trading relationships

Corporate Governance: A Foundation for Trust

Fairness

The board of directors must treat shareholders, employees, vendors, and communities fairly and with equal consideration.

Transparency

Clear and open communication about financial performance, risk management, and key decisions builds trust with stakeholders.

Compliance

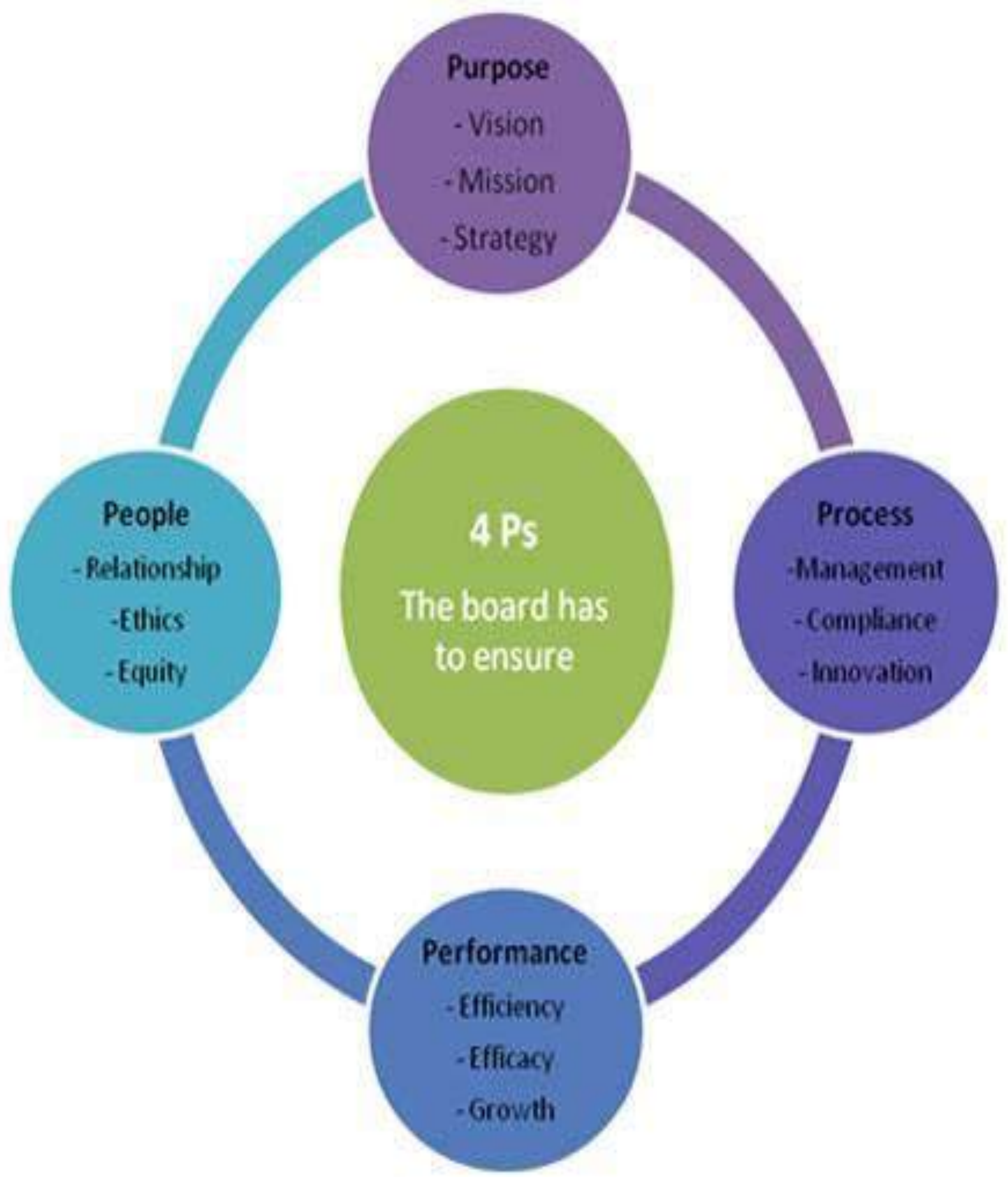
Adhering to legal regulations and ethical standards is crucial crucial for maintaining a strong reputation and avoiding legal legal liabilities.

Accountability

Directors and executives are held responsible for their decisions and actions, ensuring ethical conduct and sound sound management.

Sustainability

Consideration of environmental, social, and governance (ESG) factors in decision-making, ensuring long-term sustainability and responsible practices.



Four Ps of Corporate Governance:

People: This 'P' emphasizes the importance of the individuals involved in corporate governance, including the board of directors, executives, and employees. The composition of the board, their skills, independence, and diversity are crucial factors.

Purpose: Purpose refers to the overarching mission and goals of the company. Corporate governance ensures that the company's purpose aligns with ethical standards and is focused on creating long-term value for shareholders and stakeholders.

Processes: This 'P' involves the systems and procedures established to oversee and manage the company. Governance processes include how decisions are made, how risk is assessed and managed, and how accountability is maintained.

Practices: Performance in corporate governance relates to the company's overall success in achieving its goals while adhering to ethical standards. The governance framework monitors and evaluates the performance of the company against established benchmarks.

Need for Ethical Corporate Governance in Start-ups

Unconventional nature: Startups are the early-stage companies focusing beyond conventional strategies for smart solutions to problems in a cost-effective manner.
Ex Startups for Doors step delivery of Food
High Valuations: Most of the Startups have high valuations.
Ex. Paytm valuation dropped from $19 Billion (listing day) to $5 billion
Accounting Issues: Presenting Gross revenue as net revenues.
Ex. Rahul Yadav's 4B Networks, Zilingo
Tax Evasion: Using shell companies for Tax evasion.
Ex. B2B unicorn infra.market
Misappropriation of Funds: Use of company's expense account to fund own lavish style.
Ex. Bharatpe, BYJU
Large and growing numbers: India has the 3rd largest startup ecosystem in the world with 71,248 recognized startups, including 100 unicorns, with a total valuation of over ?25 lakh crore rupees.
Sectoral omnipresence: They are present in almost every conceivable space and function as the new engines of growth, job creation and socio-cultural transformation In India.
Young age of founders: limited business exposure and short-term interests like funding rather than long-term sustainability leads to increased ethical lapses.
Ex. Zepto co-founder Kaivalya Vohra, who is just 19 years old
Poor Self Compliances: Lack of due diligence and compliances by startups.
Ex. BYJU's financial issues

Strategic Control: Ensuring Alignment with the Big Picture

Financial Control

Monitoring financial performance, including revenue, expenses, profitability, and cash flow, to ensure alignment with financial targets.

Strategic Analysis

Regularly assessing the strategic direction of the organization and identifying any emerging risks or opportunities that might necessitate course correction.

Customer Satisfaction

Monitoring customer feedback, market share, and brand perception to gauge the effectiveness of the strategy in meeting customer needs.

It is the process by which managers monitor the ongoing activities of an organization and its members to evaluate whether activities are being performed efficiently and effectively and to take corrective action to improve performance if they are not" -Sam Walton

Importance of Strategic Control:

Strategic Control is essential for any organization to succeed in the long run. It helps in:

- Monitoring and evaluating the performance of strategies
- Identifying potential problems and opportunities
- Taking corrective actions to maintain the strategic direction
- Ensuring that the organization adapts to changes in the environment
- Ensuring that the organization's resources are used efficiently and effectively

Types of Strategic Control

There are different types of strategic control, which organizations can use to control their strategies effectively. These are:

Premise Control:

Premise Control focuses on ensuring that the assumptions and beliefs underlying the organization's strategies are still valid. It involves monitoring the environment and checking whether the factors that influenced the development of the strategy are still present.

Implementation Control:

Implementation Control focuses on monitoring the progress of the strategy's implementation. It involves measuring actual performance against the desired level of performance and taking corrective action if needed.

Strategic Surveillance:

Strategic Surveillance focuses on monitoring the organization's environment for potential opportunities and threats. It involves gathering and analyzing information about the environment and using it to adjust the organization's strategies accordingly.

Special Alert Control:

Special Alert Control is used when unexpected events occur that have a significant impact on the organization's strategies. It involves taking immediate action to mitigate the impact of the event and adjusting the organization's strategies accordingly.

Operational control in strategic management focuses on ensuring day-to-day activities align with established plans and objectives.
It involves managing and overseeing the intermediate-term operations and processes to ensure efficiency and effectiveness, as implemented by mid-level managers.

Process of Implementing Operational Controls:
Implementing operational controls requires a deliberate process to ensure their effectiveness. The following steps can be followed to implement operational controls effectively:

Step 1: Identify the critical activities
Identify the critical activities that support the company's strategic objectives. These activities are the ones that require the most attention and have the greatest impact on achieving the company's strategic objectives.

Step 2: Establish performance metrics
Establish performance metrics for the critical activities identified in step 1. These metrics should be aligned with the company's strategic objectives and should be measurable.

Step 3: Monitor performance
Monitor performance against the established performance metrics. This will provide insights into whether the company's activities are aligned with its strategic objectives and whether adjustments are required.

Step 4: Take corrective action
Take corrective action as necessary to ensure that the company's activities remain aligned with its strategic objectives.

Evaluation Techniques for Operational Control:
- Value chain Analysis
- Quantitative performance measurements
- Benchmarking
- Key Factor Rating

Types of Operational Controls:

Input controls:
Input controls ensure that the necessary resources are available to support the company's activities. Examples of input controls include policies for hiring and training employees, guidelines for procurement, and procedures for managing inventory.

Process controls:
Process controls ensure that activities are performed efficiently and effectively. Examples of process controls include quality control procedures, productivity standards, and inventory management systems.

Output controls:
Output controls ensure that the results of the company's activities are aligned with its strategic objectives. Examples of output controls include financial performance metrics, customer satisfaction surveys, and product/service quality assessments.

Techniques for Strategic Control: Tools for for Monitoring and Adjusting

1

Budgets and Financial Analysis

Setting budgets and tracking expenses to ensure financial resources are allocated effectively and that the organization stays within financial targets.

2

Performance Reviews

Regularly evaluating individual and team performance against established goals, providing feedback and identifying areas for improvement.

3

Scenario Planning

Developing alternative scenarios for future events, including potential risks and opportunities, and developing contingency plans for each scenario.

4

Benchmarking

Comparing the organization's performance against industry best practices or competitors competitors to identify areas for improvement and innovation.

Strategy formulation :

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.

Strategy formulation is the process by which an organization develops a plan to achieve its long-term objectives and secure a competitive advantage.

Levels of strategy formulation

There are three levels of strategy formulation used in an organization:

- **Corporate level strategy**: This level outlines what you want to achieve: growth, stability, acquisition or retrenchment. It focuses on what business you are going to enter the market.
- **Business level strategy**: This level answers the question of how you are going to compete. It plays a role in those organization which have smaller units of business and each is considered as the strategic business unit (SBU).
- **Functional level strategy**: This level concentrates on how an organization is going to grow. It defines daily actions including allocation of resources to deliver corporate and business level strategies.

Strategy implementation refers to the execution of a company's strategies that are targeted to attain specific business objectives and goals.

The process of translating strategic concepts into actionable tasks and operational plans, and allocating resources effectively to support these tasks.

Types of Strategy Implementation:
- **Top-Down Implementation**
- **Bottom-Up Implementation**
- **Integrated Implementation**
- **Modular Implementation**
- **Project-Based Implementation**

Strategy Implementation Process
- **Setting Objectives and Key Performance Indicators (KPIs)**
- **Developing Action Plans**
- **Allocating Resources**
- **Communicating the Strategy**
- **Monitoring and Evaluating Progress**

- **Importance of Strategy Implementation**
- **Goals of the Organization**
- **Resource Optimization**
- **Better Coordination and Alignment**
- **Facilitating Adaptation and Flexibility**
- **Driving Accountability and Performance**

Challenges of Strategy Implementation
- **Resistance to Change**
- **Lack of Resources**
- **Lack of Communication**
- **Misalignment of Objectives**
- **Poor Monitoring and Evaluation**


THE STRATEGY IMPLEMENTATION PROCESS
Adjust
Accountabilities
Vision
Strategy
Implementation Plan
Deadlines
Monitoring Systems
Involve
Communicate
Ownership
Specify
Act

Aspect	Strategy Formulation	Strategy Implementation
Definition	The process of creating and planning strategies and goals.	The process of executing and operationalizing strategic plans.
Focus	Focuses on setting objectives, analyzing opportunities, and planning.	Focuses on executing plans, allocating resources, and managing operations.
Activities	Involves research, analysis, and decision-making to develop strategies.	Involves organizing, directing, and controlling resources to execute strategies.
Timeframe	Typically occurs at the start of the strategic management cycle.	Ongoing process throughout the implementation phase.
Key Players	Primarily involves senior management and strategic planners.	Involves a broader range of employees and managers responsible for execution.
Outcome	Results in a strategic plan or roadmap outlining goals and actions.	Results in the execution of tasks and achievement of strategic objectives.
Challenges	Includes issues such as limited information, uncertainty, and forecasting.	Includes challenges like resistance to change, resource constraints, and coordination.

Operational Control: Ensuring Efficient Day-to-Day Operations

1. Production Control: Ensuring efficient and timely production of goods or services, meeting quality standards and optimizing resource utilization.
2. Inventory Control: Managing inventory levels to minimize storage costs and avoid stockouts, while ensuring timely delivery of goods to customers.
3. Quality Control: Monitoring and ensuring that products or services meet defined quality standards, minimizing defects and maximizing customer satisfaction.