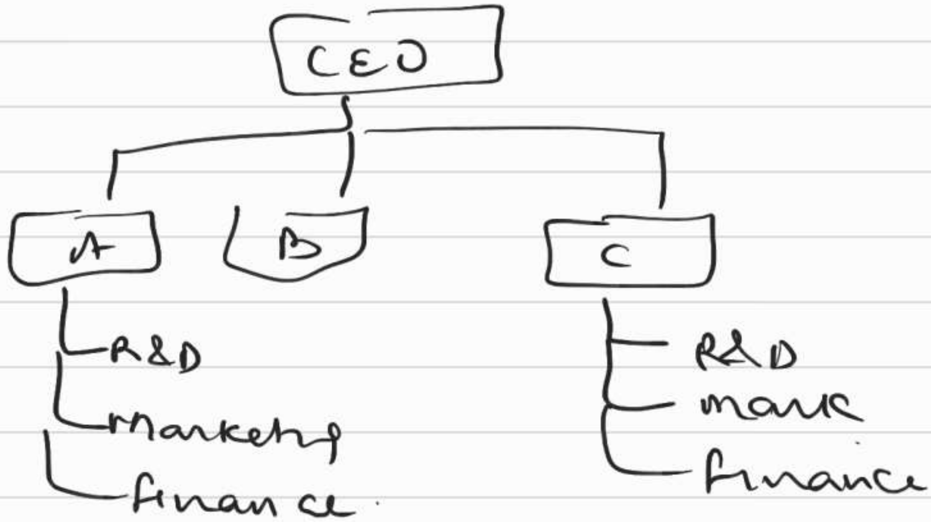


Adv → product not working can be closed down easily
→ each unit can be treated as a seperate profit centre
→ rapid & easy decision making
→ gives a lot of independence to decision maker

Dis → unhealthy comp. between division
→ marketing indv. products can increase cost
→ too many managerials level
→ all the units may not be considered equal.

Market Structure
→ divisions are made on the basis of specific market the comp. any sells.

Adv → communication with customers can be in the local language.
→ issues related to specific market

can be dealt seperately
→ products for niche markets can be introduced

Dis → determining prod. & efficiency becomes diff.
→ conflict in decision making
→ makets may not be considered equal.
→ competition among division

Georgaphic structure.
Adv → Customer will feel with better connection with local manager.
Emp are familiar with local business environment
New product catering to specific geography can be introduced

Dis → core company ethics & practices may differe from one region to another.
→ poor communication between emp at dif location
→ unhealthy comp between divisn

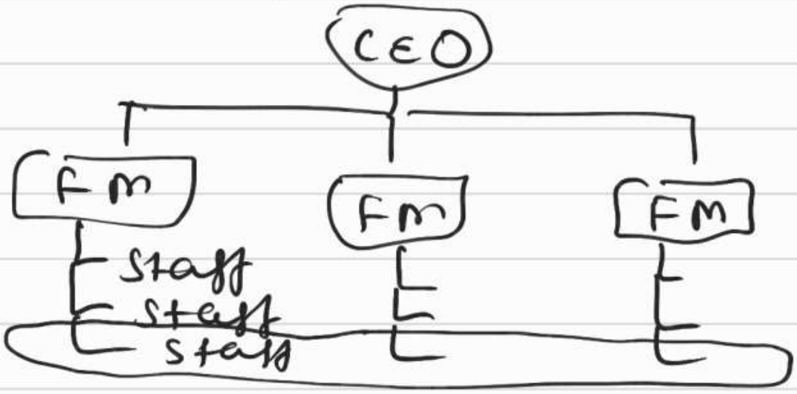
Matrix structure.
→ Hybrid of div & fun structure.
→ Large MNCs
→ benefits of fun. & div. structure exist in one org.
→ power struggle.
→ function manager and

a division manager working at the same level may indulge in power struggle.

Matrix Structure

→ weak/function Structure.

→ project manager may be given responsibility over cross-functional aspects of a project. His authority is limited



Project manager

adv → function manager controls the project
he is responsible if there is something wrong

dis → staff may show resistance towards project manager.
project manager does not have complete authority

balance matrix
→ resp. & power is shared equally

Strong/project matrix
→ project manager has higher

power & authority

→ Bureaucratic
→ Pre-bureaucratic
→ Post "
→ Network
→ Team.
→ Entrepreneurial
→ Horizontal
→ Vertical.
→ Mechanistic
→ Organic

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Business Environment

→ Anything which is external to us & can impact us.
→ factors that are beyond the control of the organisation & are external.
→ have a direct or indirect impact on functioning of business
→ set of external factors such as economic, social, political, legal etc.
→ affects the business decisions of a firm

→ Why study business environment
  → Monitor
  → Manage or adapt } Survive or Perish.

→ Technology

→ storage

→ floppy disk, Disc, DVD, pen drive, flash drive

⇒ Policy

→ Telecom Service

⇒ Key characteristics of business environment

→ External & Beyond control

→ covers various factors

→ complex & dynamic in nature

→ unpredictable changes

→ Not consistent

→ differs from place

⇒ Factors affects Business Environment

→ customers, competitors, suppliers, government, social, political, legal technological factors

⇒ Demographic factors.

→ study of population with respect to size, density distribution & other factor.

⇒ Density of pop — restaurant, Hotel, mall.

⇒ Standard of living → premium car, mass segment car.

⇒ Level of education → education related industry

Movie production

⇒ nature of occupation

→ mall in an industrial area

→ Economic factors
→ Demand
→ competition.

→ Demand – any firm to flourish, adequate demand of its products should be there.

→ Competitive → a firm has to compete with rival firms

factor affecting demand of a product or service
→ ability to buy depends upon the disposable income of the customer
→ price of the product / service will affect its demand

→ tools that are avl for a company to increase demand & compete.
→ Price cutting
→ Advertisement
→ Product differentiation
→ Marketing strategies
→ Service

→ Geographical & Ecological environment
→ geographical situation, climate, rainfall, humidity, vegetation
→ cater to these factor can

survive in that particular region

⇒ Social & cultural factors
Social factors includes ppl social status, relationship, their biases, their income level.

cultural factors includes ppl values, customs, ethics

⇒ Political & legal Environment

Political forces can impact businesses
→ long term political stability
→ Quick changes
→ cyclical changes
→ Regional factors
→ legal environment
→ business law
→ complex system of regulations & intervention that the govt. may do.

⇒ Technological Environment
Technology affects business in two ways.
→ Impact on Society → customer beh. or prefer.
→ " business operations
↳

⇒ Importance of business environment

→ continuous interaction between business & environment

→ understanding of business environment helps business work more effectively.

→ Strength & weakness is

→ Threat & opportunities

→ Giving direction to its future growth

→ meeting competition

→ attracting customers

⇒ Porter five forces.

→ Michael E. Porter

→ corporate strategy should meet opp. & threats in the external environment of company.

→ Can be applied to companies, market segments, industries or regions

Why is it required!

→ framework to under business's environment & its impact on company

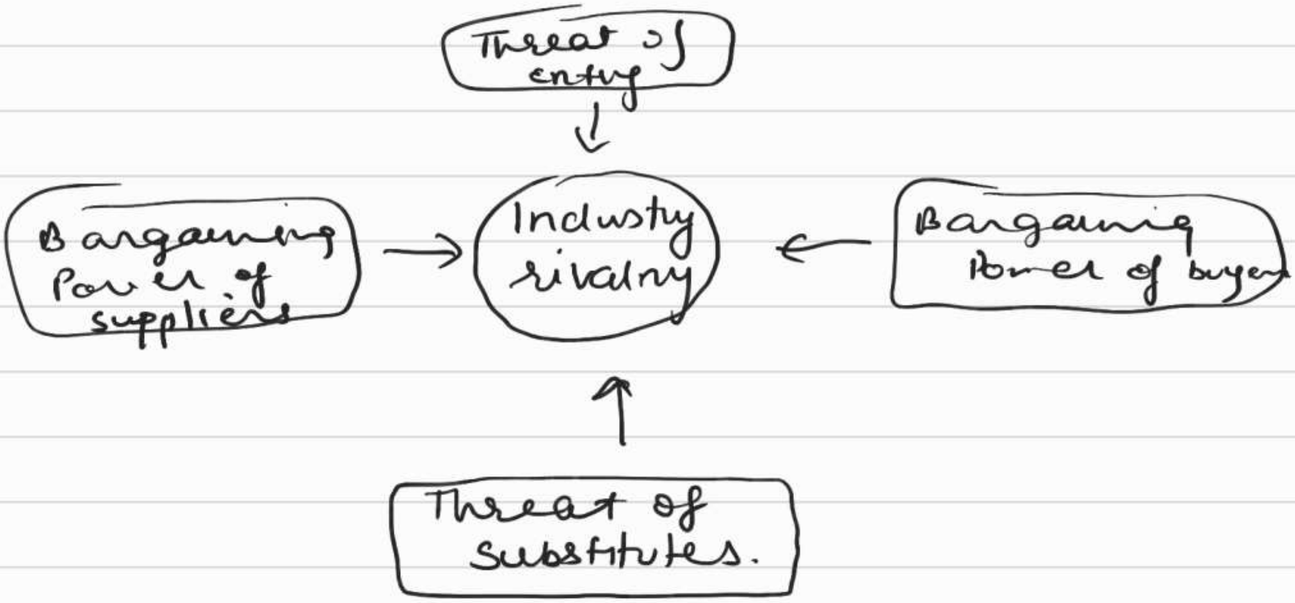
What is it?

→ analytical tool to find out competition intensity in an industry & understand the profitability level

→ consists of five comp. forces

→ allow systematic analysis of market structure & competitive situation

→ High the comp., the lesser is the profitability & attractiveness



Threat of Entry

→ easy (difficult) to enter a industry
→ barriers to entry are high, then industry will be profitable in the long run.
⇒ If industry is profitable & there are few barriers to entry, rivalry will soon intensifies.

Threat of entry is low when:
→ strong loyalty to existing brands.
→ High fixed costs
→ scarcity of resources.
→ Govt restriction or legislation
→ Protection - patents, rights.
→ Brand equity is high
→ switching cost
→ Capital requirement
→ Access to distribution

→ Access to distribution
→ cost advantages.
→ Expected retaliation by incumbent

→ Bargaining Power of Buyers.
→ Buyers have the power to demand lower price or higher quality from firms/suppliers.
→ Lower price means lower revenue higher quality means higher production cost
→ Both scenarios result in lower profit

→ Bargaining Power of buyer is high when:
→ Small number of buyers.
→ Purchase in large volumes.
→ Switching to another product is simple
→ Product is not important to the buyer.
→ customers are price sensitive
→ Buyer concentration to firm concentration ratio
→ Buyer information availability
→ Availability of substitute products.

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Bargaining Power of suppliers

→ Strong bargaining power allows supplier to sell higher priced or lower quality raw materials / Product to buyers
→ lower profit for firm

Suppliers bargaining power is high when
→ very few suppliers
→ no substitutes.
→ product is critical for the firm
→ supplier switching cost relative to firm switching cost
→ Supplier concentration ratio to firm concentration ratio.
Threat of
→ forward integration by supplier
→ cost of input relative to selling price of product
→ Profitability of supplier industry compared to firm industry

→ Availability of substitutes
→ when buyers can easily find substitute product with better price & quality
→ switch from one product to another with little cost

Threat of substitute is high when
→ Buyer propensity to substitute
→ Relative price performance of substitutes.
→ Buyer switching cost
→ Perceived level of prod. diff

→ fad & fashion
→ Technology change & innovation

Rivalry among existing competitors
→ major factor on how competitive & profitable an industry is
→ compete aggressively for market share; result in lower profits
Rivalry is high when:
→ many player of same size; no dominant firm
→ little diff. between comp. products & services
→ Industry is mature
→ growth by acquiring customer of competitor

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PESTLE ANALYSIS
→ analysis of external macro environment in which a business operates
→ factors which are beyond control of a business
why is it required:
→ helps the organisation align it self positively with the forces of change.
→ avoid take actions which likely to lead to failure
P → Political
E → Economic
S → Social
T → Technological

T → Technological
L → Legal
E → Environmental

PESTLE factors that may impact org.

Political
- → Trading policies] SWOT
- → funding, grants
- → Lobbying
- → Conflict
- → Govt. Policies
- → Govt tenure & change.
- → Elections
- → Inter country relationships
- → Govt structures
- → Internal political issues
- → Shareholder demands

Economic.
- → Home economy situation
- → Overseas " trends
- → taxation issues
- → seasonality issues
- → Market cycles
- → specific Industry factors
- → Customer drivers
- → Internation trade / monetary issues
- → Unemployment
- → Exchange rates
- → Tariffs

→ Inflation
→ Interest rate
→ Import / Export ratio
→ Internal finance

Social
→ Consumer attitute & opinions
→ Buying patterns
→ Ethnic & religious factors
→ Demographic
→ Education
→ Lifestyle changes
→ Living standard.
→ Leisure activities
→ Ethical issues
→ Population shifts
→ Trends
→ Diversity

Techological.
→ Competing technology devlopment
→ Research funding
→ Assosciated Technologies
→ Maturity of technology.
→ Manufacturing maturity & Capacity
→ Innovation potential
→ Technology access
→ IPR issues
→ Energy uses
→ Rate of obsolesence.
→ Internet
→ Software changes

Legal

→ Current legislation < O / T
→ future "
→ Environmental legislation
→ Employment law.
→ consumer protection
→ Industry Specific regulations
→ competitive regulations

Enviromental.
→ Ecological
→ Environmental issues
→ Customer values
→ Stakeholder values
→ staff attitudes.
→ Global factors.

⇒ Identify the SUBFACTORS that may impact the organisation
⇒ How they would impact
⇒ extent to which a factor is risk – High / Medium / Low.

Integration with SWOT Analysis
High Impact — Positive
— Negative
SWOT Analysis → Opportunities
→ Threat.

SWOT Analysis

→ specifying the objectives

→ Identifying the factors that are supportive or unfavorable to achieving the objective

↳ internal / External factor

COMPONENTS OF SWOT

STRENGTHS

→ Positive tangible & Intangible attributes

→ internal to the org

→ within org. control.

→ Build on these factors & leverage

Weakness

→ Internal to the org

→ within org. control

→ reduce org ability to achieve its objective

→ Area of improvement

→ remedy, change or eliminate

OPPORTUNITIES

→ factors that will propel the org in future.

→ by their 'timeframe'

→ by org control.

Threats

→ contingency plan to address threat whenever they occur

→ "seriousness" & "prob of occur"

→ SW → PRIMO-F framework.
People.
Resources
Innovation & Ideas.
Marketing
Operations
Finance

— — — — —

Corporate Governance.
→ how a corp is governed.
→ CG is the interaction between various participants/Stakeholders in shaping corporate performance & its future.
→ Way in which companies are directed & managed.
→ conducted by Board of Directors for company's stakeholders.

Key Const of CG:
→ relⁿ between the owner & the managers.
↳ no conflict b/w owner & manager.
→ mechanisms that owners have to ensure a fair return of their investment
→ determining ways to take effective strategic decisions.
→ gives ultimate authority and complete responsibility to

and complete responsibility to BoD.

Need for CG
→ CG is required
→ Transparency
→ Accountability
→ Corporate responsibility

CG has strategic implications:
→ bad CG lead to bad strategy formulation & impl.

→ Theories of CG

→ Agency Theory
→ Focus on rel^n b/w company (agent) & its shareholders / owners / principal
→ tried to address the principal-agent problem.
→ arises due to differences between the objective of principal (owner / shareholder) and agent (manager)
→ principal isn't aware of actions of agent
→ Contrasting risk apetites
→ diff level of risk
→ Third party relationships

Agency

→ theory suggests that top mgmt have a significant degree of ownership in the company

Stewardship theory
→ mgmt are motivated to act in the best interest of the company
→ mgmt care more abt company's long term sucess than shareholders

Stakeholders theory.
→ focuses on the rel^{n} between company & various stakeholders

External stakeholders	Internal stakeholders
Customer	Shareholders.
Supplier	Employees
Govt	Managers.
Bank	Board of Dir
Public	

→ each stakeholders expect something from firm
→ top mgmt should satisfy claim of all stakeholder.
→ assign priority to specific stakeholder.

13/10/20

Role of BOD

core of → oversight of mgmt

Sh Interest concurrence of shareholders.

→ Setting corporate strategy direction mission & vision

→ Hiring & firing of CEO & top mgmt

→ Review & approving the use of org resources.

→ Monitor → at least carry out this task

→ Evaluate & Influence.
↳ examine mgmt proposals, decisions

Initiate & determine
↳ set the agenda

Board of Director continuum

Degree of Involvement

Passive ← Low | High Active

Phantom	Rubber stamp	Minimal review	Nominal Participation	Active Participation

(Catalyst)

BOD Role in India

→ Operations of company are to be managed under direction of board

→ Duty of board to select, evaluate & approve compensation, dividend, approve FS, frame strategies like M&A

Role of TOP Mgmt

→ provide leadership & vision
→ manage strategic planning process
→ Determine firm's mission, vision & objectives
(utilise)/Exploit firm's resources, competences & capabilities
→ create a strong org culture.
→ Emphasize ethical decisions & practices.

— — — — —

For effective CG
→ BoD
→ diverse backgrounds
→ strong internal mgmt & accntg control. system.
→ Establish formal process for. evaluation of board's performance

→ Auditors
→ Accurate & timely information to shareholders
→ Executive compensation plan is good. taking into account various strategic & financial indicators

→ Benefits of Good CG
→ CG policies ensures corporate success & future growth
→ Strong CG maintains investors confidence, which help company

in raising capital efficiently
→ CG positive impact on share price
→ provides proper incentives to the manager to achieve corporate objectives
→ minimizes wastage, corruption, risk & mismanagement
→ brand formation

Financial Management
→ deals with procurement of funds & effective utilisation
→ planning organising, directing & controlling financial activities
→ financial decision making
why is it req?
→ needs finance to meet their requirement
→ lifeblood of business organis

finance
→ art & science of managing money
→ provision of money at the time when it is needed.

Public finance → individual, private compan.
Private finance

Objectives of FM:
→ adequate return to shareholder