

Historical Prospective of Strategic Management

1491 BC: Moses uses hierarchical delegation of authority during the exodus from Egypt. Dividing a large set of people into smaller groups creates a command structure that enables strategies to be implemented

500 BC: Sun Tzu's *The Art of War* provides a classic handbook on military strategy with numerous business applications, such as the idea “to win without fighting is the best.” This type of approach was used by businesses, such as Gap Inc. when they decided to create their own stores rather than competing for shelf space for their clothing within traditional department stores.

70 BC: Roman poet Virgil tells the story of the Trojan horse, a classic strategic ploy where the Greek forces hid a select number of soldiers in a large wooden horse that the Trojan army took into their heavily guarded city gates. Once inside the city, Greek soldiers were able to open the gates and allow in reinforcements which eventually led to the end of the war.

c. 530: King Arthur rules Britain. Legend says he made his famed round table so that no one, including him, would be seen as above the others. His mission to find the Holy Grail serves as an exemplar for the importance of the central mission to guide organizational actions.

Frameworks for Strategic Management

- **Competitive Advantage**
- An organization may achieve either lower cost of production or product differentiation as an advantage against its rivals. It is important to look at the market positioning of the brand and company and also to pinpoint all the competitive advantages the company has over its competitors.

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Corporate Strategy and Portfolio Theory

The Modern Portfolio Theory provides a framework for allocating assets so that, for a given level of risk, the expected return is maximized. Portfolio Theory allows corporations to perform a cost-benefit analysis on the deployment of resources and view the merit of individual resource placement to the company in its totality.

The Growth-Share Matrix, developed by the Boston Consulting Group, helps corporations analyze the value of their individual business units by plotting the business on an axis. The two parameters of judgment are market share – a measure of a business unit’s competitive position in regards to its peers – and industry growth rate – a measure of the prospects of the particular industry in which the unit operates.

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Core Competence

Businesses should seek to develop expertise in areas of relative excellence and eliminate or outsource the remainder of its business activities. By being able to do this, an organization can provide a unique and unparalleled product, service, or perspective to the market and consumers

- **Experience Curve**

The experience curve expresses the proposition that whenever the output produced doubles, the value added costs decline by a consistent percentage.

Concept of Strategy

Strategy essentially defines the relationship between the firm and its environment. By determining a strategy, one can find answers related to the target customer base and the market segment they would represent. The main purpose of formulating a strategy is to create an edge in the competitive environment.

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Strategy is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as *“A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process”*

A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives.

While planning a strategy it is essential to consider that decisions are not taken in a vacuum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.

Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behavior of others.

- **Strategy is the blueprint of decisions** in an organization that shows its objectives and goals, reduces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.

- Generally, strategies are long run-in nature as they help to understand the path towards the future as well as its impact on present activities. However, in some cases, strategies may be made for a shorter period.
- Strategy mainly defines the course of action of a business in general, which an organisation needs to follow in order to achieve its objectives.

- Another important component of strategy is that it is dynamic in nature, and it needs to be changed or modified according to changing times and conditions.
- Strategy provides a proper combination of external and internal factors that can affect the ability of an organisation to perform activities towards well-established goals

Strategies are formulated mainly by top-level managers and directions are provided to the middle and lower-level managers to frame sub-strategies.

- Strategy allows businesses to beat their competition by distributing scarce resources efficiently across different regions, resulting in optimal utilisation.

Strategies are forward-looking because they are developed and implemented with the goal of achieving the firm's goals in the future.

Strategy Formulation Process

- **Setting Organizations' objectives** - The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there. Strategy includes both the fixation of objectives as well the medium to be used to realize those objectives. Thus, strategy is a wider term which believes in the manner of deployment of resources so as to achieve the objectives.

While fixing the organizational objectives, it is essential that the factors which influence the selection of objectives must be analyzed before the selection of objectives. Once the objectives and the factors influencing strategic decisions have been determined, it is easy to take strategic decisions.

Evaluating the Organizational Environment - The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organizations existing product line.

The purpose of such a review is to make sure that the factors important for competitive success in the market can be discovered so that the management can identify their own strengths and weaknesses as well as their competitors' strengths and weaknesses.

After identifying its strengths and weaknesses, an organization must keep a track of competitors' moves and actions so as to discover probable opportunities of threats to its market or supply sources.

Setting Quantitative Targets - In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.

Aiming in context with the divisional plans - In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. This requires a careful analysis of macroeconomic trends.

Performance Analysis - Performance analysis includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization.

This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.

Choice of Strategy - This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

Stakeholders in Business

A stakeholder is a party that has an interest in a company and can either affect or be affected by the business. The primary stakeholders in a typical corporation are its investors, employees, customers, and suppliers.

Stakeholders are parties invested in the success of a business or organization. Many decisions and results need to be considered from the perspective of various stakeholders to ensure all investments are honored. There are many roles you can serve in that require you to understand the needs and wants of different stakeholders.

Stakeholders are parties that take interest in a specific company, often for financial investment. They can directly impact decisions or successes of an organization through

- Sharing their feedback on company decisions or processes

- Providing continued loyalty or participation
- Increasing or decreasing financial investment
- Taking a position or making a decision that goes against a company's goals and strategy

Internal stakeholder

An internal stakeholder is an individual party that is directly or financially part of the organization's operations. If the company is successful, then they have a higher likelihood of earning a monetary gain as a result. Here are some common internal stakeholders you may encounter:

- **Employees**
- Employees are hired by the company as an instrumental asset in completing tasks that result in products or services provided to clients or consumers. These stakeholders contribute in exchange for compensation, benefits, training and professional development. Their time and effort are investments made to the organization, and they depend on the organization's success to ensure their continued employment.

Employee feedback can be considered to determine if they are satisfied with their environment, role and work-life balance and other factors. Their satisfaction can directly impact their productivity, which can then affect overall output and success as well as the satisfaction of other stakeholders.

- **Owners**
- Owners have exclusive rights over a property or business. They usually have full ownership in terms of the products and services that impact the customers who eventually purchase it from the company, and they set out strategies to meet and exceed sales goals for the product. They're often directly responsible for the success of the company and the employees who go forth generating results orchestrated by the owner. The success is dependent on the owner's actions.

- **Managers**
- Managers directly oversee employees within their department and execute the tactics communicated to them by the owner in the strategy in addition to delegating tasks and making sure the employees have the right directions in performing certain tasks. Overall, managers hold the responsibility of completing their tasks and having their employees meet their objectives in the process of successfully reaching business goals

All managers impact the same comprehensive strategy that the owner decides to implement and measure success off of. Here are some levels of management within a large corporation that can have an impact on an organization's success.

- **Senior managers:** These high-level leaders include a Board of Directors, Chief Executive Officer or the President and other C-level executives who delegate direct supervision duties to the middle and lower managers.
- **Middle manager:** These include Regional Managers, Department Managers or Section Managers who usually work in a specific region and represent a larger company. They carry out tactics to ensure success in their region to employ lower-level managers to hit their performance goals.
- **Lower managers:** Direct supervisors or other Front-Line Managers execute plans and distribute tasks to front-line employees who report to them.

External stakeholder

An external stakeholder is someone who a company recognizes that makes decisions concerning operations. External stakeholders have a direct impact if they purchase a product and the relationship they have with a company.

- **Customers**
- Customers purchase a product or service of the company. Sales, marketing, public relations and the overall strategy centered around the customer, and their interest in these strategies determine whether they buy a product. Customers buying products greatly affect the success of an organization, and customers can be given access to new products if the company has the profit to expand their product line. Overall, the customer is vital to the success of a company, and their satisfaction can directly influence whether internal stakeholders are also satisfied.

- **Communities**
- Communities are made up of the people who live near an organization's physical location. The opinions of people living in those communities influence an organization because their opinion of a company's facilities and adherence to environmental and other local, state and federal regulations can impact a company's reputation. Positive relationships with communities can ensure internal stakeholders and other external stakeholders, such as customers, shareholders and investors remain satisfied.

- A company's relationship with the community that surrounds them can also impact whether they purchase products and services and contribute to the company's financial success.
- Today, companies enact corporate social responsibility initiatives that benefit a local or global community. Programs such as volunteering build a relationship with a company's local community to create an image that persuades them to interact with a business. Companies must focus on the communities that can compile the most sales with their business and establish and core relationship to increase the prospect of future sales

- **Shareholders**
- Shareholders own one or more shares of stock within an organization. Many shareholders are external parties, like customers and people within the community who have shares of a company's stock. If a shareholder has more shares, or ownership of a business, it's more likely that they have more power to make choices on behalf of the employer. These decisions can involve finances, staffing, strategies and others. Thus, shareholders' opinions influence how an owner determines a company's strategy and which audiences they're selling to.

Developing a strong relationship with all shareholders can increase their desire to invest in a company while providing feedback on decisions to create products and services that tailor to everyone's needs.

- **Creditors**
- Creditors can be a person, company or a government that lends property, service or capital to an organization. There are two types of creditors:

- **Secured creditors** have a legal benefit of collateral over some of all of the assets pertaining to a business.
- **Unsecured creditors** can be suppliers, customers or contractors that can lend capital without having collateral they can get in return.

- **Government**

- The government is the ruling body of the country in which a business operates. The government takes taxes out of the company's revenue as well as from employees' income. It also enforces labor laws that organizations are required to follow to ensure safe working conditions for employees. in addition, it sets regulations on the financial system to protect consumers.

A business must follow federal, state and local rules and regulations to continue and grow its operations, making this external stakeholder especially vital to an organization's success. Following these regulations, remaining transparent as necessary and seeking opportunities to partner with government agencies to provide mutually beneficial services can help a company build a positive relationship with the government.

- **Labor unions**
- Many industries and organizations work with labor unions that legally represent the employees of an organization and work with all levels of management to secure pay, benefits and adequate working conditions for all staff. Employees pay fees or union dues to earn this representation and negotiate contracts to guarantee or improve conditions of employment. If there are alterations to a company policy that affects employees, then labor unions intervene to ensure that the terms are agreed to on the employees' behalf.

Since labor unions work closely with employees, their satisfaction is directly related to how the organization's employees feel. This external stakeholder's satisfaction is very important to the company's productivity as well as financial and cultural success.

- **Competitors**

- Competitors are an entity that has a conflicting goal with another business that offers similar products and services. These external stakeholders compete for the same opportunities to profit within the same market. Having strong competitors can motivate an organization to innovate better products and services, improve marketing to their audience and increase its profit over other companies in its industry.

Vision, Mission and Purpose

- Mission is the reason your organization exists and typically doesn't change. It tells people what you do and for whom do you do it. Traditionally, mission statements have been written to be clear, factual statements that are direct and have the purpose of informing people outside the organization as to the reason for their being.
- Many organizations still have fact-based missions because they want to inform people, not necessarily to energize them.
- Many of these companies believe a mission statement is unnecessary if you have properly defined your values and your vision. Mission as a factual statement doesn't add value because the definition of the organization doesn't carry the passion or the goals that values, vision, or purpose does.

Vision, Mission and Purpose

- ❖ Mission and vision are statements from the organization that answer questions about who we are, what do we value, and where we're going.
- ❖ A mission statement communicates the organization's reason for being, and how it aims to serve its key stakeholders. Customers, employees, and investors are the stakeholders most often emphasized, but other stakeholders like government or communities.

Vision, Mission and Purpose

- ❖ Mission statements also include a summation of the firm's values. Values are the beliefs of an individual or group, and in this case the organization, in which they are emotionally invested.

Vision, Mission and Purpose

- A vision statement, in contrast, is a future-oriented declaration of the organization's purpose and aspirations.
- Mission statement lays out the organization's "purpose for being," and the vision statement then says, "based on that purpose, this is what we want to become." The strategy should flow directly from the vision, since the strategy is intended to achieve the vision and thus satisfy the organization's mission. Typically, vision statements are relatively brief.

Vision, Mission and Purpose

- Vision statement is also captured in a short tag line, such as Toyota's "moving forward" statement that appears in most communications to customers, suppliers, and employees.

Vision, Mission and Purpose

- Mission statements are longer than vision statements, often because they convey the organizations core values. Mission statements answer the questions of “Who are we?” and “What does our organization value?” Vision statements typically take the form of relatively brief, future-oriented statements—vision statements answer the question “Where is this organization going?”

Vision, Mission and Purpose

- Purpose informs why a group of people within an organization come to work every day. A purpose is less factual and more emotional, and is designed to motivate people on the inside of the organization.
- It gives people an answer to the questions:
 - Why do I do this work?
 - Why am I a part of this organization?
 - What am I accomplishing here with my fellow employees?
 - What is our greater good?
- Purpose statements have developed in organizations because employees have expressed a desire to be a part of an overall effort, not just working to produce something.

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Business Definition

- A business is defined as an organization or enterprising entity engaged in commercial, industrial, or professional activities.
- Businesses can be for-profit entities or non-profit organization.

- Business types range from limited liability companies to sole proprietorships, corporations, and partnerships.
- Some businesses run as small operations in a single industry while others are large operations that spread across many industries around the world.

Business Objectives

- Business objectives are the specific and measurable results companies hope to maintain as their organization grows. Entrepreneurs and business leaders must track performance in every part of their business to make sure they're [moving in the right direction](#).
- Business objectives act as a compass for the company, dictating how the organization should allocate strengths, weaknesses and opportunities that may be available. Most of the time, objectives remain the same until the company's circumstances change.
- A business objective specifies the methods and paths that can help a business achieve that goal.

Objectives must be:

- **Specific:** Include details that outline the preferred outcome of the objective and who will be responsible for maintaining these results.
- **Measurable:** Include a schedule of regular reporting to let everyone know where they stand in achieving their objectives.
- **Attainable:** While goals should be lofty, employees must believe they're achievable. Make sure targets aren't too ambitious.
- **Relevant:** Each objective must align with specific goals for the company.
- **Timely:** Objectives need to follow a specific schedule. For instance, sales teams may have a particular sales figure to achieve each month.

Business Goals

- ❖ Business goals are a predetermined target that a business or individual plans to achieve in a set period of time. These goals are often split into short-term goals and long-term goals. Business goals can be general and high level, or they can focus on specific measurable actions.
- ❖ Client or customer satisfaction, financial gain, growth, and employee development.
- ❖ Business goals represent the direction in which a company intends to go and define what the organization wants to achieve.

Business Goals

- ❖ Business goals are important for numerous reasons that can affect the overall operations and success of an organization.
- ❖ **Business goals help measure progress.** Business goals provide the milestones that can help an organization measure its success or lack thereof.
- ❖ **Business goals set the direction of a company.** Business goals allow all employees to have a clear idea of where the company wants to go and what it wants to be.
- ❖ **Business goals establish accountability.** Business goals enable management to take ownership of its successes or failures.
- ❖ **Business goals improve decision-making.** Business goals align the activities of the business so management can constantly evaluate decisions to ensure the business moves toward its target.

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Business Goals

- Increase profits.
- Diversify lead sources.
- Grow brand awareness.
- Expand to new markets.
- Improve employee retention.
- Drive more sales or generate more revenue.
- Execute marketing strategies efficiently.

The SM Model

- Strategy models are tools to help a company develop an action plan. They exist as blueprints for your business' growth.
- The simplest strategic model is creating a mission statement. Why did you found your company, and why does it exist? Once you have determined your mission, identify your immediate goals. At this point, develop strategies that will help you reach these goals.

The SM Model

1. Strategic Analysis
2. Environmental Analysis
3. Strategic Choice
4. Strategy Implementation
5. Strategy Evaluation and Control

- **Strategic Analysis**
- The foundation of the strategy is a definition of organisational purpose. This defines the business of an organisation and what type of organisation it wants to be. Many organisations develop broad statements of purpose, in the form of vision and mission statements.
- These form the springboards for the development of more specific objectives and the choice of strategies to achieve them

- **Environmental analysis**
- Assessing both the external and internal environments is the next step in the strategy process. Managers need to assess the opportunities and threats of the external environment in the light of the organisation's strengths and weaknesses keeping in view the expectations of the stakeholders.
- This analysis allows the organisation to set more specific goals or objectives which might specify where people are expected to focus their efforts. With a more specific set of objectives in hand, managers can then plan how to achieve them.

- **Strategic Choice**
- The analysis stage provides the basis for strategic choice. It allows managers to consider what the organisation could do given the mission, environment and capabilities – a choice which also reflects the values of managers and other stakeholders. These choices are about the overall scope and direction of the business.
- Since managers usually face several strategic options, they often need to analyze these in terms of their feasibility, suitability and acceptability before finally deciding on their direction.

- **Strategy Implementation**
- Implementation depends on ensuring that the organisation has a suitable structure, the right resources and competencies (skills, finance, technology etc.), right leadership and culture. Strategy implementation depends on operational factors being put into place.
- **Strategy Evaluation and Control**
- Organisations set up appropriate monitoring and control systems, develop standards and targets to judge performance.

The SM Model

- **1. SWOT Analysis Model**
- A basic model of strategic management, SWOT stands for Strengths, Weaknesses, Opportunities and Threats. This technique is instrumental in determining growth strategies. By gauging available opportunities and addressing weaknesses, organizations can leverage strengths and circumvent threats. By utilizing this basic model of strategic management, organizations can gain a competitive advantage over others.
- **2. PEST Model**
- This type of business model in strategic management is a macro-level plan that helps organizations assess future changes based on four factors—Political, Economic, Social and Technological. It helps you analyze market growth, standing and position with respect to your competitors and customers in addition to assessing growth strategies to expand your business. It helps you strategize based on different geographies, demographics and products/services.
- **3. Porter's Five Forces Model**
- According to Porter's Five Forces Model, there are five forces that can strengthen or weaken your organization's position in the market. These are industry competition, new entrants in the market, supplier power, buyer power and threat of substitutes. This model helps in assessing an organization's competitive environment. You can create, modify and update your business strategy based on these five competitive forces.

External Environment

External environment are the factors outside the organization that influence the business. These often include the social and cultural, natural environment, political, legal, technological, and economic factors.

The external environment can be broken down into two types: the micro environment and the macro environment.

- The micro environment consists of the factors that directly impact the operation of a company.
- The macro environment consists of general factors that a business typically has no control over. The success of the company depends on its ability to adapt.

- **1. Technological factors**
- As technology continues to advance, companies can benefit from these breakthroughs or face challenges in competing with them. For example, a company that manufactures GPS devices for personal cars may experience a decline in business because of the integration of GPS on mobile devices, but they can confront these challenges by developing new products. Other companies, such as health care providers, can use modernized methods to collect information from their patients, keep patient records and streamline patient care

- **2. Economic factors**
- The state of the economy plays an important role in every aspect of daily life from the well-being of personnel to the ability of a company to thrive. When the economy trends downward and unemployment rises, businesses may have to work harder to keep their staff and change their processes to continue earning revenue. If the company produces products for retail sale, for instance, they may consider lowering the price to increase sales and positively affect their revenue.

- **3. Political and legal factors**

- As political officials leave office and new ones replace them, the policies they implement often affect businesses in relevant industries. Because of the inconsistent nature of politics, businesses monitor legislative bills closely to prepare for potential changes. Policies that can have long-term effects on companies include:
 - Taxation
 - Tariffs
 - Employment law
 - Competition regulation
 - Import restrictions
 - Intellectual property law

Companies affected by political decisions must modify their processes to comply with new legislation and regulations but doing so can keep them in business.

- **4. Demographic factors**
- Companies with successful products and services evaluate the demographics of their target market to ensure they meet the needs of those who benefit from their offerings. They also perform tests to measure how well they serve their customers. This helps them understand if their target market has changed and how they can develop better ways to serve their loyal customers and earn new ones. Demographics that affect business decisions and processes include

Age

Gender

Race

Nationality

Belief system

Marital status

Occupation

Income

Level of education

For example, when mobile phone companies emerged in the 1990s, their marketing efforts focused on young, successful professionals. Now, people of all ages use mobile devices daily. Telecommunications companies have adapted to this change by modifying the features of their products and taking different approaches to advertising methods.

- **5. Social factors**

Where people live, their personal values and their socioeconomic status affect what, where and why people make purchases. Businesses take social factors into consideration when developing and marketing products, and many use current events, movements and social issues to appeal to their customers. For example, a company that supports a women's organization may earn the trust and loyalty of customers who identify as female. Catering to the specific preferences and expectations of underrepresented groups, who have more influence on the market today than in past years, can also contribute to customer satisfaction and business growth.

- **6. Competitive factors**
- Businesses can increase their market share and stay relevant to their customers by keeping track of their competitors. They can identify and evaluate successes and challenges, thus learning what to incorporate into their own processes and how to prevent revenue loss. They can also use the information they gather to develop ideas for product changes, product relaunches and new product development.

- **7. Global factors**
- Executives have a duty to keep track of both domestic and global issues, especially if they conduct business internationally. By learning about social issues that affect those in other countries and their cultural norms, consumer trends and economic status, company leaders can provide their teams with relevant training. This enables them to develop products or offer services that meet the needs of international customers by providing solutions to challenges they face as consumers.

- **8. Ethical factors**
- Because each individual has a distinct concept of ethics and morality, some companies may find it challenging to balance the personal lives of staff members with their expectations in the workplace. Employees' leisure activities, such as social media accounts, can reflect on their employer. As representatives of the company, they have a responsibility to avoid behavior that could negatively affect the business. Managers can address issues such as sharing classified information or the harassment of a colleague outside of work by establishing guidelines and taking disciplinary action when necessary.

- **9. Natural factors**
- As environmental awareness continues to grow, more consumers have realized the effects of business processes on the planet. Some consumers have used their purchases to support companies that develop ecologically friendly practices, such as using compostable packaging and solar energy. By paying attention to these external concerns and changing their operations, businesses can make changes that help them protect the environment, retain customers and increase revenue.

PEST analysis

PEST analysis describes a framework of macro-environmental factors used in the environmental scanning component of strategic management

A PEST analysis is a strategic framework commonly used to evaluate the business environment in which a firm operates. Traditionally, the framework was referred to as a PEST analysis, which was an acronym for **P**olitical, **E**conomic, **S**ocial, and **T**echnological.

A PEST analysis studies the key external factors (Political, Economic, Sociological, Technological) that influence an organisation. It can be used in a range of different scenarios, and can guide people professionals and senior managers in strategic decision-making

PEST is an acronym that stands for external factors affecting your business: political, economic, sociological, technological. Each of these can have a profound effect on your business and varying implications, for example, in terms of: duration of impact - short term or long term.

The framework is used by management teams and boards in their strategic planning processes and enterprise risk management planning. PEST analysis is also a very popular tool among management consultants to help their clients develop innovative product and market initiatives, as well as within the financial analyst community, where factors may influence model assumptions and financing decisions.

- **Political Factors**
- Corporate taxation
- Other fiscal policy initiatives
- Free trade disputes
- Antitrust and other anti-competition issues

Political Factor Example: A multinational company closes several facilities in a higher tax jurisdiction in order to relocate operations somewhere with lower tax rates and/or greater state funding and grant opportunities

- **Economic Factors**
- Economic factors relate to the broader economy and tend to be expressly financial in nature. They include:
 - Interest rates
 - Employment rates
 - Inflation
 - Exchange rates

Economic Factor Example: Based on where we are in the economic cycle and what Treasury yields are doing, an equity research analyst may adjust the discount rate in their model assumptions; it can have a material impact on the valuations of the companies they cover.

- **Social Factors**
- Social factors tend to be more difficult to quantify than economic ones. They refer to shifts or evolutions in the ways that stakeholders approach life and leisure, which in turn can impact commercial activity. Examples of social factors include:
 - Demographic considerations
 - Lifestyle trends
 - Consumer beliefs
 - Attitudes around working conditions

Social Factor Example: Post-pandemic, management at a technology firm has had to seriously reevaluate hiring, onboarding, and training practices after an overwhelming number of employees indicated a preference for a hybrid, work-from-home (WFH) model.

- **Technological Factors**
- In today's business landscape, technology is everywhere – and it's changing rapidly. Management teams and analysts alike must understand how technological factors may impact an organization or an industry. They include, but are not limited to:
 - Automation
 - How research and development (R&D) may impact both costs and competitive advantage
 - Technology infrastructure (like 5G, IoT, etc.)
 - Cyber security

- **Technological Factor Example:** A management team must weigh the practical and the financial implications of transitioning from on-site physical servers to a cloud-based data storage solution.

- **Environmental Factors**
- Environmental factors emerged as a sensible addition to the original PEST framework as the business community began to recognize that changes to our physical environment can present material risks and opportunities for organizations. Examples of environmental considerations are:
 - Carbon footprint
 - Climate change impacts, including physical and transition risks
 - Increased incidences of extreme weather events
 - Stewardship of natural resources (like fresh water)

Environmental Factor Example: Management at a publicly traded firm must reevaluate internal record keeping and reporting tools in order to track greenhouse gas emissions after the stock exchange announced mandatory climate and ESG disclosure for all listed companies.

The Competitive Profile Matrix (CPM)

- A Competitive Profile Matrix (CPM) is an analytical tool that provides necessary information of competitive advantage based on critical success factors and serves as the basis for an organization's strategy

A competitive profile matrix is a tool your company can use to directly compare your strengths and weaknesses to industry competitors. For this matrix, will use four elements: critical success factor, weight, rating, and score. Critical success factors are areas that will determine your success.

CPM helps decision makers in some points of strategy formulation.

A competitive matrix will help you identify your competitors and lay out their products, sales, and marketing strategies in a visual format. By doing this, you'll learn where you're positioned in the market, how to differentiate yourself from your competition, and how to improve upon your processes so you can beat them in the marketplace.

- **Competitor Matrix Types**
- SWOT analysis
- Competitive Advantage Matrix
- Competitive Profile Matrix
- Sales Matrix
- Product Feature and Benefit Matrix
- Price Matrix

- A SWOT analysis is a technique used to assess how your business compares to its competitors. The acronym stands for strengths, weaknesses, opportunities, and threats. It analyzes internal and external factors that affect the current and future potential of your business. By identifying these elements, you create a space to capitalize on your strengths, improve your weaknesses, take advantage of opportunities, and eliminate threats.
- If your company has an excellent profit record, this is a strength. If your company offers a small variety of products to its customers, this could be seen as a weakness. How do you determine what information goes into your SWOT analysis?

Competitive Advantage Matrix

- A competitive advantage matrix analyzes your company's competitive advantage by assessing volume production and differentiation. Its purpose is to determine how your company can grow.
- This matrix has two axes — vertical and horizontal. The vertical axis evaluates the number of opportunities available for achieving a competitive advantage, while the horizontal axis measures the potential size of the competitive advantage. Using this information, the competitive advantage matrix is segmented into four boxes:
 - Stalemate - Few advantages with small potential
 - Volume - Few advantages with great potential
 - Fragmented - Many advantages with small potential
 - Specialized - Many advantages with great potential
- Using this information gives you the tools to determine where your competitive advantage comes from.

- A competitive profile matrix is a tool your company can use to directly compare your strengths and weaknesses to industry competitors. For this matrix, you will use four elements: critical success factor, weight, rating, and score.

- Critical success factors are areas that will determine your success. Examples are brand reputation, range of products, customer retention and sales per employee.
- critical success factor. Rate:
 - 1 - Major weakness
 - 2 - Minor weakness
 - 3 - Minor strength
 - 4 - Major strength

- Sales Matrix
- A sales matrix is a tool used to help gauge the urgency and viability of sales opportunities. It evaluates potential customers' interest in your business against their fit for your product or service.

Imagine focusing all your efforts on a potential customer. You send content and numerous promotions only to discover that they aren't interested in your company and are a bad fit. It's unlikely you'll get that sale, and it feels like time wasted. Now, imagine giving all that energy to someone interested and a good fit. The sale becomes *a lot* more likely. A sales matrix uses interest and fits to help you decide how much attention to give your potential clients at any given time.

- Product Feature and Benefit Matrix
- The product feature and benefits matrix evaluates how your offer matches customer needs. It's weighted by its importance versus its perceived distinction or advantage. When using this matrix, your features fall into the following categories:
 - Irrelevant - Low importance and low distinction
 - Overinvested - Low importance and high distinction
 - Key liabilities - Low importance and high distinction
 - Key differentiators - High importance and high distinction

This information tells you what features to keep, what features to get rid of, and where you might be able to save money. Consider an iPad. Say Apple spends a large portion of the manufacturing budget to produce a high-quality camera, only to find out that most users don't even use it. The camera has a high perceived distinction, yet it's of low importance to iPad users. This information would tell Apple that they overinvested in this feature and could potentially reduce it to save costs in the future.

Price Matrix

A price matrix is a tool used to define product costs, features, and tiers. It allows you to determine how much you will charge for specific levels of service. Unlike the other matrices on this list, a price matrix is a customer-facing competitive matrix type. You are creating it *for* your potential customer.

When building your price matrix, start with your tiers. It's common to lay out two or three levels. Once you've named them, create a short description. Depending on the industry, you might find it easier to include a few features associated with the category. Once you do, list the prices. If not, create a call-to-action (CTA) for your potential customer to contact you for a quote.

Globalization and Industry Structure

Globalization is the process by which people and goods move easily across borders. Principally, it's an economic concept – the integration of markets, trade and investments with few barriers to slow the flow of products and services between nations.

Globalization and Industry Structure

First, globalization allows countries to gain easier access to foreign knowledge. Second, it enhances international competition—including as a result of the rise of emerging market firms—and this strengthens firms' incentives to innovate and adopt foreign technologies.

Globalization and Industry Structure

The main goals of globalization are:

Increase international trade between countries.

Improve status of underdeveloped countries.

Increase the cultural relations among countries.

Globalization and Industry Structure

Key components of globalisation.

- 1) Globalisation of Investment
- 2) Globalisation of market
- 3) Globalisation of technology
- 4) Globalisation of production

Globalization and Industry Structure

Globalisation results in the following benefits for the economy:

- (i) It helps the economy to adopt new and flexible methods of production.
- (ii) It results in raising the productivity of the industrial sector by reducing capital output ratio, increasing exports, raising the efficiency of the workforce, modernising the technology used and increasing capital flow in the country.
- (iii) It helps in restructuring the production units of the country towards the production of those goods which the country can produce effectively and efficiently with the use of the domestically available factors of production.
- (iv) It helps to increase the flow of foreign capital into the country.
- (v) It helps improve the quality of goods produced in the economy.
- (vi) It helps address the problem of unemployment.

Globalization and Industry Structure

when industries are relatively fragmented and competitive, national environments (factors of production, domestic market and domestic demand, and so forth) will largely shape the international advantage of domestically headquartered firms and the patterns of trade. A correlate to this proposition is that in emerging industries, country advantages also play a dominant role in determining global competitive advantage

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Globalization and Industry Structure

If an industry becomes globally concentrated with high barriers to entry, then location, activity concentration, export, and other strategic decisions by multinational companies are determined to a greater extent by the nature of the global oligopolistic rivalry.

Globalization and Industry Structure

Entry into the industry is often restricted in some way—by factors such as economies of scale or scope, high levels of capital investment, and the like, or by restrictions imposed by governments

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Globalization and Industry Structure

It is quite common for companies to enter some other firm's home market, not just because that market is likely to generate additional profits but mainly to weaken its global competitive position.

Globalization and Industry Structure

In global oligopolies with a relatively small number of competitors, issues such as *who* owns the resources necessary for creating value and *who* sets the global priorities take on a greater strategic significance. Executives from different cultures approach strategy differently—state-owned enterprises are often more motivated by public policy considerations, employment, and other nonprofit concerns. These differences can have a direct impact on the relative attractiveness of global strategy options.

Globalization and Industry Structure

In global oligopolistic industries can alter the relative balance between firms of different countries—even in fragmented industries, it can alter the direction of trade and affect major corporate trade decisions. The degree and influence of government intervention varies from industry to industry. Whereas in fragmented industries the influence of governments is naturally somewhat limited by market conditions, government intervention can have a pronounced influence in industries with significant economies of scale effects or other market imperfections.

Globalization and Industry Structure

In industries where firms make long-term commitments, corporate adjustments and patterns of trade tend to be “sticky.”

The global competitive climate changes every day, choices made by multinational companies and governments tend to have an enduring impact on the industry environment.

Globalization and Industry Structure

In globally concentrated industries where the role of governments is limited, characterized by oligopolistic competition, company strategies are often heavily influenced by the moves and countermoves of direct competitors. Strategies such as making significant investments in competitors' markets, regardless of their short- or medium-run profitability—which would not work in highly competitive markets—can only be explained in terms of a strategic posture aimed at maintaining a long-term global competitive balance between the various participants.

Globalization and Industry Structure

Patterns of competition are not static. Industries evolve continuously, sometimes dramatically. Similarly, the focus of government action in different industries can change as national priorities change and the global competitive environment evolves

Resources, Capabilities and competencies

Resources are a business's assets, capabilities are the ability to exploit its resources, and competency is a cross-functional integration and coordination of capabilities.

For example, a book is a resource because you can immediately purchase it. A physical server is a resource because you can buy one and have it shipped to you. Capabilities are things that organizations develop with time.

Resources

The activities and processes of the organization utilize certain assets. These assets are called resources. These resources can be created within the organization. They form the internal resources. Such generated resources are organization-specific. Otherwise they could be obtained externally from the suppliers available in the resource markets. They form the external resources. The externally obtained resources are organization-addressable.

- Resources can be categorised as specific or non-specific. Those resources which can only be used for extremely specialized intentions and are significant to the organization in adding value to goods and services are called specific resources.

Non-specific resources are less specific and are less significant in adding value. Also resources can be broadly classified as tangible and intangible. The physical assets that an organization possesses are called tangible resources. The physical resources, human resources and financial resources come under this category.

The intellectual resources, technological resources and the organizational reputation together form the intangible resources. The patents and copyrights of the organization are typical examples of intellectual resources. The innovation capacity and innovation speed are examples of technological resources. Reputation is basically good-will that the organization has acquired among the customers. It is a critical resource of an organization.

Capabilities

- An organization's resources which are critical in imparting it with competitive advantage are called distinctive capabilities. When the capabilities originate from an attribute which other firms do not have then they form an organization's distinctive capabilities. In addition to having a distinctive characteristic it should also be sustainable and appropriable.
- When a distinctive capability is able to continue functioning over a period of time it is said to be sustainable. When the organization which holds a distinctive capability is able to benefit mainly from it then it becomes appropriable.
- An organization can derive the distinctive capabilities mainly from the organizational architecture, organization reputation and innovation. The relationships between the organization and the stakeholders are critical in developing these three aspects of the organization

Competencies

- An organization should possess some characteristics in order to have the ability to compete with other organizations in the market place. These characteristics form the competencies of the organization.
- For any organization to survive in an industry competencies are must. At the same time competencies cannot be useful to an organization when they stand alone. It is when they combine together in the right combination that they help the organization to attain competitive advantage.
- For instance consider an information technology organization. For this to compete in the software industry it should possess the competencies to write programs and design tools which have to be combined together to provide it with the competitive advantage in the industry.

Value Chain Analysis

- Value chain analysis is a means of evaluating each of the activities in a company's value chain to understand where opportunities for improvement lie. Conducting a value chain analysis prompts you to consider how each step adds or subtracts value from your final product or service.

A value chain is used to describe all the business activities it takes to create a product from start to finish (e.g., design, production, distribution, and so on). A value chain analysis gives businesses a visual model of these activities, allowing them to determine where they can reduce costs.

- 1. Identify Value Chain Activities

The first step in conducting a value chain analysis is to understand all of the primary and secondary activities that go into your product or service's creation. If your company sells multiple products or services, it's important to perform this process for each one.

- 2. Determine the Cost and Value of Activities
- When thinking about the value created by activities, ask yourself: How does each increase the end user's satisfaction or enjoyment? How does it create value for my firm? For example, does constructing the product out of certain materials make it more durable or luxurious for the user? Does including a certain feature make it more likely your firm will benefit from network effects and increased business?
- Similarly, it's important to understand the costs associated with each step in the process. Depending on your situation, you may find that lowering expenses is an easy way to improve the value each transaction provides.

- 3. Identify Opportunities for Competitive Advantage
- Once you've compiled your value chain and understand the cost and value associated with each step, you can analyze it through the lens of whatever competitive advantage you're trying to achieve.
- For example, if your primary goal is to reduce your firm's costs, you should evaluate each piece of your value chain through the lens of reducing expenses. Which steps could be more efficient? Are there any that don't create significant value and could be outsourced or eliminated to substantially reduce costs?
- Similarly, if your primary goal is to achieve product differentiation, which parts of your value chain offer the best opportunity to realize that goal? Would the value created justify the investment of additional resources?

Core competencies

Core competency refers to a company's set of skills or experience in some activity, rather than physical or financial assets. An organizational core competency is an organization's strategic strength.

Core competencies are the resources and capabilities that comprise the strategic advantages of a business. A modern management theory argues that a business must define, cultivate, and exploit its core competencies in order to succeed against the competition.

Core competencies are the defining products, services, skills and capabilities that give a business advantages over its competitors.

It is an important business strategy for proving your value to both new and longtime customers. When you know your business's core competencies, you can better forge a strong reputation for your business, market it and grow it by obtaining new customers.

- Consistently high quality
- Incomparable value
- Ceaseless innovation
- Clever, successful marketing
- Great customer service
- Formidable size and buying power

Consistently high quality: Google remains the world's leading search engine and one of the most-used email, calendar and cloud storage platforms because the quality of its software remains consistently high, no matter the tool being used. Whether you're using Google Photos to access your beloved memories, Docs to create and edit text or Maps to get around, you're likely turning to Google for its ease of use, modern look and feel, and extensive organization options

Incomparable value: Many companies use Dropbox for quick and simple file sharing not only because it makes these tasks easier but because its price is widely seen as incredibly reasonable for its services.

Ceaseless innovation: QuickBooks has dominated the accounting software industry for decades because it constantly adds new tools and features that other platforms just don't have. The brand's ceaseless innovation is the crux of its competency model and a major reason it has long been seen as the first accounting software choice for businesses of all sizes.

- **Clever, successful marketing:** Chances are good that no matter where you live, you have an abundance of department stores to choose from when you need all manner of items. Despite the competition, Target has continued to expand in large part because its brand is undeniable.

Great customer service: Amazon is arguably the most omnipresent brand in the world, and its success comes in large part from its unparalleled ability to provide excellent customer service. Given that Amazon's online marketplace lacks one defining core product and is instead a sea of options that fulfill myriad wants and needs, the company's strategic planning has long involved an unflagging focus on customer satisfaction.

Formidable size and buying power: Part of why McDonald's has been able to expand its dominance not just in the U.S. market but also internationally is its size and buying power. The company is so large, and has such massive buying power, that it can easily afford to open new franchise locations wherever it pleases. It also has enough buying power and a large enough supply chain to purchase food at such low prices that it can sell meals at highly competitive prices.

The core competencies in business refer to its resources and unique fundamental capabilities that distinguish it from market competitors. It is an essential component of marketing strategy leading to brand recognition and business growth. The concept serves to be useful for companies focusing on multiple product lines and operating more than one business unit at a time.

- `The core competencies in business are its unique and fundamental capabilities, setting it apart from the competitors and making it the best in the market.
- It advocates the collaboration of diverse teams having unique skills to achieve one goal, i.e., producing the best end product.

- Core competencies are the defining characteristics that make a business or an individual stand out from the competition.
- Identifying and exploiting core competencies is seen as important for a new business making its mark or an established company trying to stay competitive.
- A company's people, physical assets, patents, brand equity, and capital can all make a contribution to a company's core competencies.
- Examples of companies that have core competencies that have allowed them to remain successful for decades include McDonald's, Apple, and Walmart.

- **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 to 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.

Generic building blocks of Competitive Advantage

- 1) Increasing Efficiency :
- Efficiency can be increased by optimum utilization of organisational resources that are used in the production process. The organisations need to continuously find new ways for the better and effective utilization of resources.
- For example, organisations train their employees for various major tasks as well as in latest technologies so that the organisations can optimally use the technical and human resource at the same time to produce better results.

- **2) Increasing Quality :**
- In order to counteract the challenges arising from the worldwide organisation such as those from Mexican agricultural production companies. Korean electronic corporation, European marketing and financial organisation etc., the companies have to put in extra efforts enhance the skills and capabilities of the manpower. This will improve the quality of product and services provided by them.

- **3) Increasing Speed, Flexibility and Innovation :**
- In the current market scenario, the decision regarding beating in the cut-throat competition relies on the speed, flexibility and innovation.
- The first factor i.e., speed, implies the rate which an organisation is able to bring new products in the market. The second factor i.e. flexibility refers to the ability of adapting the changes in the organisation in response to changing organisational environment. Speed a flexibility help the companies in staying alert facing the competitors, as the company managers are able to plan out better strategies and are ab to organise the business operations, by plan for the future, deciding for the present and the acting quickly by activating their resources meet the demands of the changing scenario.

Innovation is a process through which organisations develop new products or service and/or improvise the existing products and services as per the customers taste and preference. Organisations that bring innovation and creativity in their business operations become a potential threat to their competitors. Usually, innovation occurs in groups or teams of few members, to whom the authority and responsibility has been delegated by the Here an organisational culture is created where the employee that takes initiatives and risks for carrying-out a particular task gets recognition and rewards.

- **4) Increasing Responsiveness to Customers :**
- Since the competition between different organisations is mainly for the provision of the goods and services to the customers, it becomes very essential for the company, especially the service sector to train the employees to become responsive to the requirements of the customers. The services at the retail stores, banks and hospital primarily depend upon the behavior of their employees which helps them in delivering superior quality services economically. The empowerment of non-managerial staff helps in transforming the role of the first line managers and helps in more effective utilization of the assets.

Distinctive Competencies

Distinctive competence refers to a superior characteristic, strength, or quality that distinguishes a company from its competitors. This distinctive quality can be just about anything—innovation, a skill, design, technology, name recognition, marketing, workforce, customer satisfaction, or even being first to market.

“A distinctive competency is any capability that distinguishes a company from its competitors. While a distinctive competency can be any competency, core or otherwise, it is typically a core competency that truly distinguishes a company from the rest of the competition.”

- Distinctive competencies enable companies to:
- Increase competitive advantage
- Improve customer delight and loyalty
- Stand apart from competitors
- Be difficult to imitate
- Strengthen strategy

Amazon cultivates distinctive competencies that create excellent customer experiences, such as fast delivery and superior customer service. In addition, the company's distribution and workforce are also distinctive competencies.

Developing a distinctive competence is important for the long-term success of your business. Not only does it provide you with an increased competitive advantage, but it can help to improve customer loyalty, as you'll be providing a level of service that's unique to your business. It's also worth noting that your company's distinctive competencies can change over time. As the market shifts and new technologies or products come to the forefront, your business's capabilities may also need to change. As such, you should conduct internal reviews of your business on a regular basis to ensure that your distinctive competencies meet the requirements of new trends in the market.

Avoiding failures and sustaining competitive advantage

a) Focus on the Building Blocks of competitive advantage:

Maintaining a competitive advantage requires a company to continue focusing on all four generic building blocks of competitive advantage – efficiency, quality, innovation, and responsiveness to customers and to develop distinctive competencies that contribute to superior performance in these areas.

b) Institute continuous Improvement & Learning:

In such a dynamic and fast – paced environment, the only way that a company can maintain a competitive advantage overtime is to continually improve its efficiently, quality innovation and responsiveness to customer. The way to do this is recognize the importance of learning within the organization.

c) Track Best Industrial Practice and use Benchmarking:

Benchmarking is the process of measuring the company against the products, practices and services of some of its most efficient global competitors.

d) Overcome Inertia:

Overcoming the internal forces that are a barrier to change within an organization is one of the key requirements for maintaining a competitive advantage.

Once this step has been taken, implementing change requires good leadership, the judicious use of power and appropriate changes in organizational structure & control systems.

Maintaining a competitive advantage requires a company to continue focusing on all four generic building blocks of competitive advantage – efficiency, quality, innovation, and responsiveness to customers and to develop distinctive competencies that contribute to superior performance in these areas.

Corporate Level Strategies

Corporate-level strategy means the overall plan for the future of the business. The strategy involves decision-making for financials, employees, management, and goals for the company.

Corporate-Level Strategy refers to the top management's approach or game plan for administering and directing the entire concern.

- Corporate Level Strategies is developed by the company's highest level of management considering the company's overall growth and opportunities in future.
- It describes the orientation and direction of the enterprise in the long run and the overall boundaries which acts as the basis for formulating the company's middle and low-level strategies, i.e. business strategies and functional strategies.
- While formulating corporate-level strategies, the company's available resources and environmental factors are kept in mind.
- It is concerned with the decisions regarding the two-way flow of company's information and resources between the various levels of management.

Corporate-level strategy is to increase the value of a company, create strategic goals, motivate the workforce, find ways to increase market share against competitors, and develop creative marketing techniques. The corporate level strategy also helps maximize profitability by outlining plans to increase revenue while keeping costs down. Strategies should also include how to beat the competition and what the company can use to give itself a competitive advantage.

Stability, Expansion, Retrenchment and Combination strategies

Stability Strategy

- ❑ This strategy refers to when an organization continues its current operation without bringing any significant changes.
- ❑ The organization stays on its current operation, direction, products, markets, or strategies. This might be the reason it wants to maintain its current market position, notices the environment as stable in near future, or the firm is happy with its current profitability.
- ❑ The stability strategy is considered suitable for temporary only but a firm that follows it for too long might not achieve its growth and be in a state of loss.

Growth/Expansion Strategy

- ❖ Every firm wants to grow its business, and when they want they go for a growth or expansion strategy. This is the strategy when a firm seeks growth in its product, market, or activities and takes actions for growth.
- ❖ This strategy is very reasonable to apply when the market is dynamic, competitive and reflects potential opportunities. In addition, when the product is in the growth stage of PLC the company needs to launch its growth strategy otherwise the product would not reach its maturity.
- ❖ However, this strategy is not as easy & less risky as the stability strategy, and firms adopting a growth strategy need to invest.

Retrenchment Strategy

- A firm opts for a retrenchment strategy when it seeks to cut down or reduce some of its products or activities to reduce excessive expenses to attain financial stability.
- When a firm's performance continuously becomes poor and poorer, it attempts to partially or fully reduce the weak business activities, it can be product cut down or employee also.
- Usually, firms do not want to go for retrenchment but when they need to they cut unproductive and unprofitable business units to reach their sustainable financial condition

For retrenchment, the following four strategies are used.

- Turnaround Strategy – This strategy refers to an attempt to turn around or convert weak performing business activities into healthy ones.
- Captive Company Strategy – This strategy is when the firm loses its independence by being fully dependent on some or one big buyer.
- Sell-Out/Divestment Strategy – In this strategy, the firm sells itself to another firm. This is when the firm can not adopt the above two strategies.
- Liquidation – This is the termination of the firm. It is when the firm can not adopt the above three strategies.

Combination/Mixed Strategy

- ❑ The organization following a mixed strategy simultaneously uses stability, expansion, and retrenchment strategies in its different business units. It fits to deal with the diverse environmental situation.
- ❑ Typically, large organizations having multi-business adopt this strategy. In doing so, a firm may adopt an expansion strategy by acquiring new business, at the same time stability may be sought in another and retrenchment in the next.
- ❑ It provides a base for the organization to deal with multiple business conditions.

Business level strategy

Business level strategies refer to the combined set of moves and actions taken with an aim of offering value to the customers and developing a competitive advantage, by using the firm's core competencies, in the individual product or service market. It determines the market position of the enterprise, in relation to its rivals.

Business level strategy

- ❖ Business level strategies refer to the combined set of moves and actions taken with an aim of offering value to the customers and developing a competitive advantage, by using the firm's core competencies, in the individual product or service market. It determines the market position of the enterprise, in relation to its rivals.
- ❖ Business-Level Strategies are mainly concerned with the firms having multiple businesses and each business is considered as Strategic Business Unit.
- ❖ It determines how the firm is going to compete in the market within each Line of Business, i.e. SBU. Further, it focuses on how the firm will compete successfully in each line of business and how to effectively manage the interest and operations of a specific unit.

Cost, Differentiation, and Focus Strategies

- ❑ This strategy stresses on manufacturing standardized products, at a low cost for the price-sensitive consumers.
- ❑ Cost leadership strategy tends to focus on the broad mass market. And for this, the firm continuously and rigorously strives for cost reduction in different areas, whether it is procurement, production, packaging, storage, distribution of the product while achieving economies in overheads.
- ❑ To gain cost leadership, firms often follow forward, backward and horizontal integration.

Ways to achieve Cost leadership

- ✓ Quick demand forecasting for the product or service.
- ✓ Effective utilization of the firm's resources to avoid wastage.
- ✓ Attaining economies of scale which results in lower per-unit cost.
- ✓ Investing in high-end technology for smart working.
- ✓ Product standardization for mass production, which leads to economies of scale

- **Differentiation**

- ❖ Differentiation strategy aims at producing and offering industry-wide distinctive products and services to the customers, so as to target price-insensitive customers.
- ❖ This strategy is also directed for the broad mass market, which encompasses the development of a unique product. Unique means uniqueness with respect to design brand image, specifications, customer service, technology used, etc.

- Further, this strategy may or may not lead to competitive advantage, mainly because the customer's needs are satisfied by standard products or if the rivals imitate the product or service quickly.
- Hence, the strategy should be followed after proper market research and study of the buyers to ascertain their needs and preferences and adding differentiating features to the product.

Ways to achieve Differentiation

- Providing utility to the customers that match their taste and preference.
- Increasing product performance.
- Product innovation
- Setting up product prices on the basis of differentiated features of the product and affordability of the customers.

Focus

- This strategy is used by the firms to produce products and services, which fulfils the need of small consumer groups. The strategy relies on the segment of the industry which is considerable in size, higher growth potential and not important to the success of the rivals.
- This is commonly used by small or medium-sized enterprises. This strategy works only when consumers have varied tastes and competitors does not try to specialize in that particular segment.

Ways to achieve Focus

- ❖ Choosing a particular niche, often avoided by cost leaders and differentiators.
- ❖ Excel in catering to the specific niche.
- ❖ High-efficiency generation to serve those niche.
- ❖ Creating new ways for the value chain management.

Strategy in the Global Environment

Four aspects of strategy:

- (1) Scope of operations
- (2) Resource allocation
- (3) Competitive advantage
- (4) Synergy.

The first component encompasses the geographic locations—countries and regions—of possible operations as well as possible markets or niches in various regions. Since companies have limited resources and since different regions offer different advantages, managers must select the markets that offer the company the optimal opportunities.

Strategy in the Global Environment

The second component of the global strategy focuses on use of company resources so that a company can compete successfully in the chosen markets. This component of strategy planning also determines the relative importance of various company functions and bases the allocation of resources on the relative importance of each function. For instance, a company may decide to allocate its resources based on product lines or geographical locations.

Strategy in the Global Environment

Next, management must decide where the company can achieve competitive advantage over other companies in the industry. Management can identify their competitive advantage by determining what the company does better (or can do better) than its competitors. Companies may realize this advantage through a host of techniques such as using superior technology, implementing more efficient organizational practices and distribution systems, and cultivating well-known brands.

Strategy in the Global Environment

This component of the strategy involves not only identifying existing or potential areas of competitive advantage but also developing a plan for sustaining areas of competitive advantage. Finally, global strategy should involve establishing a plan for the company that enables its various functions and operations to benefit one another. For example, a company can use one line of products to encourage sales of another line of products and thereby enabling different parts of a business to benefit from each other.

Strategy in the Global Environment

Many companies are now outsourcing many of their operations internationally. For example, if you call to get information on your credit card, you may well be talking to someone in India or Mexico. Equally, manufacturers often outsource production to low labor cost countries. Concerns over ethical issues, such as slave and child labor, have led to companies outsourcing under controlled conditions—offshore production may be subject to surprise visits and searches and outsourced factories are required to conform to specific criteria.

Strategy in the Global Environment

To develop a strategy in global environment, it's important to consider how your business's products can perform in global markets. It also involves analyzing your competitors, global customers, production sites and other components of your business to help ensure that business succeeds in the global market.

Strategy in the Global Environment

- For some companies, international expansion represents a way of earning greater returns by transferring the skills and product offerings derived from their distinctive competencies to markets where indigenous competitors lack those skills.
- Because of national differences, it pays a company to base each value creation activity it performs at the location where factor conditions are most conducive to the performance of that activity. This strategy is known as focusing on the attainment of location economies.

Strategy in the Global Environment

- By building sales volume more rapidly, international expansion can help a company gain a cost advantage through the realization of scale economies and learning effects.
- The best strategy for a company to pursue may depend on the kind of pressures it must cope with: pressures for cost reductions or for local responsiveness. Pressures for cost reductions are greatest in industries producing commodity-type products, where price is the main competitive weapon. Pressures for local responsiveness arise from differences in consumer tastes and preferences, as well as from national infrastructure and traditional practices, distribution channels, and host government demands.

Strategy in the Global Environment

- Companies pursuing an global strategy transfer the skills and products derived from distinctive competencies to foreign markets, while undertaking some limited local customization.
- Companies pursuing a localization strategy customize their product offerings, marketing strategy, and business strategy to national conditions.
- Companies pursuing a global standardization strategy focus on reaping the cost reductions that come from scale economies and location economies.

Strategy in the Global Environment

- Many industries are now so competitive that companies must adopt a transnational strategy. This involves a simultaneous focus on reducing costs, transferring skills and products, and local responsiveness. Implementing such a strategy may not be easy.
- There are five different ways of entering a foreign market: exporting, licensing, franchising, entering into a joint venture, and setting up a wholly owned subsidiary.

Corporate Strategy

Corporate strategy is a unique plan or framework that is long-term in nature, designed with an objective to gain a competitive advantage over other market participants while delivering both on customer/client and stakeholder promises.

Corporate Strategy

A company's corporate strategy may be to focus on sales, growth or leadership. For example, a business might implement a corporate strategy to expand its sales to different markets or consumers. It may also use corporate strategy to prioritize resources.

Vertical Integration

Vertical integration is a strategy that allows a company to streamline its operations by taking direct ownership of various stages of its production process rather than relying on external contractors or suppliers.

Vertical Integration

Vertical integration involves acquiring or developing one or more important parts of a company's production process or supply chain. For example, Netflix's shift from licensing shows and movies from major studios to producing its own original content is an example of vertical integration.

Vertical Integration

The primary goal of vertical integration is to gain greater control over the supply chain and manufacturing process. When performed well, vertical integration may lead to lower costs, economies of scale, and a lower reliance on external parties.

Vertical Integration

A vertical integration strategy can deliver advantages, including greater economies of scale, lower variable production costs, decreased logistics costs and quality concerns and increased profitability.

Diversification and Strategic Alliances

A diversifying strategic alliance is a corporate-level cooperative strategy in which firms share some of their resources and capabilities to diversify into new product or market areas.

Diversification and Strategic Alliances

Businesses form strategic alliances for diversifying their current product offerings in order to explore new markets, reach out potential customers and generating huge sums of profits.

Diversification and Strategic Alliances

A diversifying strategic partnership is a corporate-level helpful methodology in which firms share a portion of their assets and abilities to expand into new item or market zones. Firms utilizing enhancement procedures enter completely new businesses. While vertical mix includes a firm moving into another piece of a worth chain that it is as of now inside, expansion requires moving into a totally new worth chain. Numerous organizations achieve this through a merger or a procurement, while others venture into new businesses without the inclusion of another firm.

Diversification and Strategic Alliances

- Gain new client base and add competitive skills
- Enter new business territories
- Create different sources of additional income
- Level industry ups and downs
- Build valuable intellectual capital
- Affordable alternative to merger/acquisitions
- Reduce risk

Diversification and Strategic Alliances

Disney took a risk to diversify with theme parks after building their company first within the tv and film industry. The company's ability to commercialise animated characters has also led to profit streams in their cruise experience, alongside branded products ranging from clothing to technology.

Diversification and Strategic Alliances

- Diversification helps mitigate the risk to you about such scenarios by choosing different investments and types of investments. Diversification doesn't guarantee investment returns or eliminate risk of loss including in a declining market.

Building and Restructuring the corporation-

Corporate Restructuring means re-arranging business of a company for increasing its efficiency and profitability. Restructuring is a method of changing the organizational structure in order to achieve the strategic goals of the organization. It involves dramatic changes in an organization

Building and Restructuring the corporation-

- When a company wants to grow or survive in a competitive environment, it needs to restructure itself and focus on its competitive advantage.
- A larger company can achieve economies of scale. A bigger size also enjoys a higher corporate status. Such status allows it to take advantage of raising funds at lower cost. Such reduction in the cost of capital results into higher profits.
- Corporate Restructuring focuses on cost reduction and improving efficiency and profitability.
- Corporate Restructuring means rearranging the business of a company for increasing its efficiency and profitability. Today, restructuring is not an option but a conscious choice made by companies.
- Every corporate restructuring exercise aims at eliminating disadvantages and to combine advantages. It plans to achieve synergy benefits through a well-planned restructuring strategy

Building and Restructuring the corporation-

- **(1) Increase in Market Share** – Merger facilitates increase in market share of the merged company. Such rise in market share is achieved by providing an additional goods and services as needed by clients. Horizontal merger is the key to increasing market share. **(E.g. Idea and Vodafone)**
- **(2) Reduced Competition** – Horizontal merger results in reduction in competition. Competition is one of the most common and strong reasons for mergers and acquisitions. **(HP and Compaq)**
- **(3) Large size** – Companies use mergers and acquisitions to grow in size and become a dominant force, as compared to its competitors. Generally, organic growth strategy takes years to achieve large size. However, mergers and acquisitions (i.e. inorganic growth) can achieve this within few months. **(E.g. Sun Pharmaceutical and Ranbaxy Pharmaceutical)**
- **(4) Economies of scale** – Mergers result in enhanced economies of scale, due to which there is reduction in cost per unit. An increase in total output of a product reduces the fixed cost per unit.

Building and Restructuring the corporation-

- **(5) Tax benefits** – Companies also use mergers and amalgamations for tax purposes. Especially, where there is merger between profit making and loss-making company. Major income tax benefit arises from set-off and carry forward provision u/s 72A of the Income-tax Act, 1961.
- **(6) New Technology** – Companies need to focus on technological developments and their business applications. Acquisition of smaller companies helps enterprises to control unique technologies and develop a competitive edge. (E.g. Dell and EMC)
- **(7) Strong brand** – Creation of a brand is a long process; hence companies prefer to acquire an established brand and capitalize on it to earn huge profits. (E.g. Tata Motors and Jaguar)

Building and Restructuring the corporation-

- **8) Domination** – Companies engage in mergers and acquisitions to become a dominant player or market leader in their respective sector. However, such dominance shall be subject to regulations of the Competition Act, 2002. **(E.g. Oracle and I-Flex Technologies)**
- **(9) Diversification** – Amalgamation with companies involved into unrelated business areas leads to diversification. It facilitates the smoothening of business cycles effect on the company due to multiplicity of businesses, thereby reducing risk. **(E.g. Reliance Industries & Network TV18)**
- **(10) Revival of Sick Company** – Today, the Insolvency and Bankruptcy Code, 2016 has created additional avenue of acquisition through the Corporate Insolvency Resolution Process

Strategic analysis and choice

- Strategy analysis and choice focuses on generating and evaluating alternative strategies, as well as on selecting strategies to pursue. Strategy analysis and choice seeks to determine alternative courses of action that could best enable the firm to achieve its mission and objectives.

Strategic analysis and choice

- Strategic analysis is essential to formulate strategic planning for decision making and smooth working of that organization. With the help of strategic planning, the objective or goals that are set by the organization can be fulfilled.

Strategic analysis and choice

- The firm's present strategies, objectives, and mission together with the external and internal audit information, provide a basis for generating and evaluating feasible alternative strategies. The alternative strategies represent incremental steps that move the firm from its current position to a desired future state.
- Alternative strategies are derived from the firm's vision, mission, objectives, external audit, and internal audit and are consistent with past strategies that have worked well. The strategic analysis discusses the analytical techniques in two stages i.e. techniques applicable at corporate level and then techniques used for business-level strategies.

Strategic analysis and choice

- The techniques that have been discussed for the corporate level include BCG matrix, GE nine-cell planning grid, Hofer's matrix and Shell Directional Policy Matrix and the techniques for business- level include SWOT analysis, experience curve analysis, grand strategy selection matrix, grand strategy clusters

Strategic analysis and choice

- Strategic analysis at the corporate level treats a corporate body constituting a portfolio of businesses in a corporate vase. The analysis considers the various issues regarding the several businesses in the corporate portfolio.
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Strategic analysis and choice

- The strategic options are the generic strategies of stability, expansion, retrenchment, and combination. The corporate level strategic analysis is relevant to a multi-business corporation. For single business entities, business-level strategic analysis would suffice.

Environmental Threat and Opportunity Profile (ETOP)

- The preparation of ETOP involves dividing the environment into different sectors and then analyzing the impact of each sector on the organization.
- ETOP analysis is a tool used in business process improvement. It is a technique used to identify the root cause of a problem or inefficiency in a process. It is a structured approach that uses a series of questions to guide the analysis.

Environmental Threat and Opportunity Profile (ETOP)

- ETOP stands for the term Environmental Threat and Opportunity Profile. Environmental factors can be quite complex, and it can be difficult to classify them into proper categories. This is where ETOP comes in. It divides the environment into different sectors and analyses the threat and impact of each sector.

Environmental Threat and Opportunity Profile (ETOP)

Environmental scanning is the monitoring, evaluating, and disseminating of information from the external and internal environment to key people within the corporation or organization. Business environment analysis is a regular business feature. It results in a quantity of information related to forces in the environment. It usually relates to events, trends, issues, natural calamities and expectations. ETOP analysis (environmental threat and opportunity profile) is the process of gathering information about events and their relationships within an organization's internal and external environments. The basic purpose of environmental scanning is to help management determine the future direction of the organization. Structuring of environmental issues is necessary to make them meaningful for strategy formulation.

Environmental Threat and Opportunity Profile (ETOP)

- Understanding of management strategy or organization policy and effectiveness is not as easy; it requires looking at how company is griped with challenges, looking at the threats and opportunities and finding solutions for facing it. It requires proper evaluation on the position of an organization, whether the adopted strategy is working well and if not why and how should it progress ahead. Strategies are means of operationally signing a policy for goals and objective. For company to function very well and to be productive to its maximum standard effective strategy should not be impeded. Sometimes very micro and neglected issues mar the strategy.

Organizational Capability Profile

Organizational Capability Profile (**OCP**) An organizational capability profile describes the skills, knowledge and resources that enable your company to provide quality products or services to customers. The profile provides useful background information for your marketing and corporate communications

Organizational Capability Profile

- Organizational capabilities enable companies to maximize their performance and achieve their goals. Let's take a look at an organizational capabilities definition, some examples, and how L&D and HR teams can help build organizational capabilities.

Organizational Capability Profile

- Organization capabilities (OC) are the intangible, strategic assets that an organization draws from to get work done, execute its business strategy, and satisfy its customers.

Organizational Capability Profile

- The strength and alignment of such assets define a company's identity and differentiate it from competitors. Each organization develops and integrates these attributes into its culture over time, so they are challenging for others to pinpoint and replicate. For instance, Coca-Cola could sell its soft drink formula to another company, but that company would not be able to emulate the same emotional connection customers have with Coke.

Organizational Capability Profile

- They can include expertise, activities, information, knowledge, procedures, processes, skills, systems, technologies, or unique adaptive features.

Organizational Capability Profile

some organizational capabilities examples are:

- Organizational culture
- Leadership performance
- Strategic unity
- Innovation
- Agility
- Talent
- Customer connectivity

Organizational Capability Profile

- **Gaining competitive advantage** – The ability to manage resources and information effectively helps focus an organization on meeting customer demands with its distinctive products and services. This leads to surpassing competitors and gaining prominence in the marketplace.
- **Adapting to change** – An organization that makes effort to align with employees, customers, and emerging trends and markets can better foresee and plan for the new directions it must take.
- **Driving business performance** – Investing in the development of organizational capabilities hones a company's strengths and identity. Harnessing this intangible value promotes stability and makes the most of what everyone has to offer. This delivers optimal performance

Organizational Capability Profile

- **Types of organizational capabilities**
- **Operational capabilities**

These attributes reflect a company's ability to align skills, routines, and processes to successfully operate in specific markets and meet its stakeholders' requirements.

Organizational Capability Profile

- Let's use a restaurant as an example of operational capabilities. Whatever training chefs have needs to be customized to a specific restaurant's type of menu, prices, available ingredients, etc. The recipes used may be very similar to other restaurants, but the unique process for making certain dishes is developed over time and passed on to new chefs. The capacity to leverage resources and the chefs' skills will reflect the restaurant's cooking style and character to its customers.

Organizational Capability Profile

- **Strategic capabilities**

For example, a manufacturing company wants to have more products available for a growing customer base. The company must evaluate whether it has the resources to create the products and get them to the customers. Do the usual suppliers have the raw materials needed? Is our warehouse adequately staffed? Are the shipping companies able to handle an increase in products? The company's capability to execute this strategy will ensure that process doesn't get bogged down.

Organizational Capability Profile

- **Dynamic or meta capabilities**

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Apple demonstrated dynamic capabilities back when it was still just a computer manufacturer by creating the iPod. Although MP3 players already existed, Apple saw the need for a device that was smaller, sleeker, and more appealing to consumers. The iPod increased Apple's share price immensely and started it on the path to becoming a revolutionary consumer electronics design company.

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Organizational Capability Profile

- **Context capabilities**

Consider the accounting department at most companies. If they offer refunds for a product or service, and the refund process runs smoothly, they're meeting their customers' needs. On the other hand, if the process is slow or fails altogether, customers will be frustrated, and other departments will hear about it.

Organizational Capability Profile

- **1. Engage leadership**

Communicate with leaders to ensure they fully understand the process of assessing and building organizational capabilities, and their role in it. Since you need leaders to support the initiative, it's essential to explain what will happen and what will be expected of them. They will be expected to devote time and energy to it and may even have to sacrifice some short-term results. Getting everyone orientated and onboard from the start can prevent misperceptions down the road.

Organizational Capability Profile

2. Define and list your organizational capabilities

Brainstorm what your organization must be good at to prosper in the long term. Your list should include the required capabilities, and it should indicate those that are already helping execute the business strategy and gain an advantage over the competition.

Organizational Capability Profile

- **3. Conduct an organizational capabilities assessment**

Set performance indicators for each capability and determine where you currently stand in comparison. You can do this through internal surveys or interviews. Other options include consulting outside experts or other data sources. Your assessment should emphasize resources, processes, and structures

Organizational Capability Profile

4. Understand the capability gap

Take a candid look at where your organization is and where you want it to be regarding each capability. For instance, your leadership might not be as strong as you wish because you have a weak leadership pipeline. You'll need to consider what effort it will take to transform this. Then you can start identifying future leaders and prepare leadership development plans for them

Organizational Capability Profile

- **5. Prioritize and create an action plan**
For instance, if you find out that employees in a specific department lack a certain skill that would make them more productive, you can implement a targeted training program to help them build that skill. That way, you're building up your talent capability.

Organizational Capability Profile

- **6. Track progress and follow up**

For instance, your goal might be to identify five new potential leaders, develop a custom leadership development plan for each of them and get them started with it in the next two quarters. At the end of the second quarter, you can evaluate how you've progressed and where you can improve.

Strategic Advantage Profile

The strategic advantage profile is a tool for making a systematic evaluation of the enterprises internal factors which are significant for the company in its environment. The SAP shows the strengths and weakness of an organization in different functional areas.

Strategic Advantage Profile

A strategic profile is a snapshot of an organization's history, its current products and services and its plans for the future.

Strategic Advantage Profile (SAP) is a summary statement which provides an overview of advantages and disadvantages in key areas likely to affect future operations of an organization.

Strategic Advantage Profile

SAP software allows different organizations to oversee their process by allowing employees within all departments to access specific information, which helps to accelerate work and improvement. Since employees can access information across departments, they can spend more time on critical tasks.

Strategic Advantage Profile

It helps you control operations, minimize interruptions in production, and break up data systematically. This results in a more prompt and effective decision-making process.

It helps you define the real-time financial status of your organisation. It also connects with other SAP modules such as sales and distribution, payroll, and human resources, empowering your overall financial management.

Corporate Portfolio Analysis

It can be defined as a set of techniques that helps strategists in taking strategic decisions with regard to individual products or businesses in a firm's portfolio.

This includes:

- sales
- production cost
- market share
- potential market share.

Corporate Portfolio Analysis

- To analyse the current business portfolio
- To decide SBU investment distribution
- To add new products or services or businesses
- To decide product retention or removal

Corporate Portfolio Analysis

To analyze its current business portfolio and decide which businesses should receive more or less investment. 2) To develop growth strategies, for adding new businesses to the portfolio. 3) To decide which business should no longer be retained

GAP Analysis

A gap analysis is the process that companies use to compare their current performance with their desired, expected performance. This analysis is used to determine whether a company is meeting expectations and using its resources effectively.

GAP Analysis

- Through gap analysis, an organization examines its current performance vs. its target performance.
- A gap analysis can be useful when companies aren't using their resources, capital, or technology to their full potential.
- By defining the gap, a firm's management team can create a plan of action to move the organization forward and fill in the performance gaps.
- There are four steps to a gap analysis: defining organizational goals, benchmarking the current state, analyzing the gap data, and compiling a gap report.
- Gap analysis can also be used to assess the difference between rate-sensitive assets and liabilities.

GAP Analysis

A gap analysis, which is also referred to as a needs analysis, is important for any type of organizational performance. It allows companies to determine where they are today and where they want to be in the future. Companies can reexamine their goals through a gap analysis to figure out whether they are on the right track to accomplishing them.

McKinsey's 7s Framework

The McKinsey 7-S Model is a change framework based on a company's organizational design. It aims to depict how change leaders can effectively manage organizational change by strategizing around the interactions of seven key elements: structure, strategy, system, shared values, skill, style, and staff.

Mcgy7 Kinsey's 7s Framework

The model highlights that there exists a domino effect when any one element is transformed to restore effective balance. The central placement of shared values emphasizes that a strong change culture impacts all the other elements to drive change.

McKinsey's 7s Framework

The seven key elements of the McKinsey 7-S Model are:

- Structure
- Strategy
- System
- Shared Values
- Skill
- Style
- Staff

Mcgy7 Kinsey's 7s Framework

- **1.Strategy**
- The strategy element is a detailed plan that organizations create for successful change implementation and to gain a competitive edge. A well-crafted strategy is aligned with the other six elements of the 7-S model and is reinforced by a strong vision, mission, and values.
- **2. Structure**
- Structure or organizational structure refers to a clear chain of command to avoid chaos & confusion. Structure is a simple yet crucial element as it creates a sense of employee accountability within the organization.

Mcgy7 Kinsey's 7s Framework

3. Systems

Systems refer to the business processes and operational procedures employed to complete a business's routine activities. An organization's SOPs consist of such practices and workflows that directly impact productivity and decision-making.

4. Shared Values

These are the core values governing an organization's health. While implementing a change, organizations expect a behavioral modification from their employees, which is only possible in a strong change culture and organizational values.

Mcgy7 Kinsey's 7s Framework

5. Style

This element refers to the management style prevalent in a company that decides the level of employee productivity and satisfaction.

6. Staff

This element represents the talent pool required, the size of the existing workforce, and their motivations. It also considers how they are trained and rewarded within the organization.

Mcgy7 Kinsey's 7s Framework

7. Skills

Skills refer to the abilities of employees to complete tasks. Skills gaps overburden experienced employees who have to pick up the slack for their coworkers' inexperience. It's essential to identify the skill gaps and create relevant employee training programs to bridge these gaps

GE 9 Cell Model

The GE 9 cell matrix is a way of structuring an organization's strategy into manageable segments. The GE 9 Cell Model is a process of establishing the organization's current position in the market. It can then evaluate each of its strategies and choose a course of action to take

GE 9 Cell Model

1. Grow

Grow means continuing the same strategy with an upward trajectory of investment. Efforts toward product innovations, new markets and increased production should continue. These businesses help maintain and enhance the organization's position in the industry.

2. Hold

In the matrix, hold means no changes. The organization should work to keep its position in these markets and business. It has a secure position in their existing market niche and they should work to hold on to it.

3. Sell

Sell means removing oneself from the market. The organization stops producing the product or service. This strategy is used when there's an oversupply in the market, as well as a low market demand.

BCG Matrix

A BCG matrix is a model used to analyze a business's products to aid with long-term strategic planning. The matrix helps companies identify new growth opportunities and decide how they should invest for the future. Most companies offer a wide variety of products, but some deliver greater returns than others.

BCG Matrix

BCG matrix (also called Growth-Share Matrix) is a portfolio planning model used to analyse the products in the business's portfolio according to their growth and relative market share.

BCG Matrix

BCG matrix has four cells, with the horizontal axis representing relative market share and the vertical axis denoting market growth rate. The mid-point of relative market share is set at 1.0. if all the SBU's are in same industry, the average growth rate of the industry is used. While, if all the SBU's are located in different industries, then the mid-point is set at the growth rate for the economy.

BCG Matrix

- **Stars-** Stars represent business units having large market share in a fast growing industry. They may generate cash but because of fast growing market, stars require huge investments to maintain their lead. Net cash flow is usually modest. SBU's located in this cell are attractive as they are located in a robust industry and these business units are highly competitive in the industry. If successful, a star will become a cash cow when the industry matures.
- **Cash Cows-** Cash Cows represents business units having a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be utilized for investment in other business units. These SBU's are the corporation's key source of cash, and are specifically the core business. They are the base of an organization. These businesses usually follow stability strategies. When cash cows loose their appeal and move towards deterioration, then a retrenchment policy may be pursued.

BCG Matrix

Question Marks- Question marks represent business units having low relative market share and located in a high growth industry. They require huge amount of cash to maintain or gain market share. They require attention to determine if the venture can be viable.

Question marks are generally new goods and services which have a good commercial prospective. There is no specific strategy which can be adopted. If the firm thinks it has dominant market share, then it can adopt expansion strategy, else retrenchment strategy can be adopted.

Most businesses start as question marks as the company tries to enter a high growth market in which there is already a market-share. If ignored, then question marks may become dogs, while if huge investment is made, then they have potential of becoming stars.

BCG Matrix

Dogs- Dogs represent businesses having weak market shares in low-growth markets. They neither generate cash nor require huge amount of cash. Due to low market share, these business units face cost disadvantages. Generally retrenchment strategies are adopted because these firms can gain market share only at the expense of competitor's/rival firms.

These business firms have weak market share because of high costs, poor quality, ineffective marketing, etc. Unless a dog has some other strategic aim, it should be liquidated if there is fewer prospects for it to gain market share. Number of dogs should be avoided and minimized in an organization.

Balance Score Card

- A balanced scorecard is a strategy performance management tool – a well structured report, that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions.
- The balanced scorecard managing system “maps an organization's strategic objectives into performance metrics in four perspectives: financial, internal processes, customers and learning and growth,”

Balance Score Card

- Balanced scorecard methods offers better strategic planning, improved strategy communication and execution, and better management information. Companies using a balanced scoreboard, or BSC, produce better performance reports, and better align their organizational processes with strategic goals.

Balance Score Card

- Each BSC perspective has its own objectives. The customer perspective covers customer satisfaction, market share goals, and the attributes of products and services. The internal process perspective outlines the processes necessary to deliver on customer objectives as well as internal operational goals. The financial perspective allows managers to track shareholder value as well as financial success and the financial objectives of the organization. The “intangible drivers of future success, such as human capital, organizational capital and informational capital” belong under the learning and growth perspective.

Balance Score Card

Four distinctive perspectives are

- **Financial goals**—“What financial goals do we have that will impact our organization?”
- **Customer goals**—“What things are important to our customers, which will in turn impact our financial standing?”
- **Process goals**—“What do we need to do well internally, in order to meet our customer goals, that will impact our financial standing?”
- **People (or learning and growth) goals**—“What skills, culture, and capabilities do we need to have in our organization in order to execute on the process that would make our customers happy and ultimately impact our financial standing?”

Internal Factor Evaluation (IFE) Matrix

Internal Factor Evaluation (IFE) Matrix is a strategy tool used to evaluate firm's internal environment and to reveal its strengths as well as weaknesses. The internal and external factor evaluation matrices have been introduced by Fred R. David in his book Strategic Management

Internal Factor Evaluation (IFV) Matrix

Internal Factor Evaluation (IFE) matrix is a strategic management tool for auditing or evaluating major strengths and weaknesses in functional areas of a business.

IFE matrix also provides a basis for identifying and evaluating relationships among those areas.

IFE matrix together with the **EFE matrix** are used in strategy formulation.

Internal Factor Evaluation (IFV) Matrix

Strengths and weaknesses are used as the key internal factors in the evaluation. When looking for the strengths, ask what do you do better or have more valuable than your competitors have? In case of the weaknesses, ask which areas of your company you could improve and at least catch up with your competitors?

Internal Factor Evaluation (IFE) Matrix

- **IFE Matrix.** The ratings in internal matrix refer to how strong or weak each factor is in a firm. The numbers range from 4 to 1, where 4 means a major strength, 3 – minor strength, 2 – minor weakness and 1 – major weakness. Strengths can only receive ratings 3 & 4, weaknesses – 2 & 1. The process of assigning ratings in IFE matrix can be done easier using benchmarking tool.

Internal Factor Evaluation (IFV) Matrix

Benefits

- Easy to understand. The input factors have a clear meaning to everyone inside or outside the company. There's no confusion over the terms used or the implications of the matrices.
- Easy to use. The matrices do not require extensive expertise, many personnel or lots of time to build.
- Focuses on the key internal and external factors. Unlike some other analyses (e.g. value chain analysis, which identifies all the activities in the company's value chain, despite their importance), the IFE and EFE only highlight the key factors that are affecting a company or its strategy.
- Multi-purpose. The tools can be used to build SWOT analysis, IE matrix, GE-McKinsey matrix or for benchmarking.

Internal Factor Evaluation (IFV) Matrix

Limitations

- Easily replaced. EFE matrices can be replaced almost completely by PEST analysis, SWOT analysis, competitive profile matrix and partly some other analysis.
- Doesn't directly help in strategy formation. It analyses only identify and evaluate the factors but do not help the company directly in determining the next strategic move or the best strategy.

DR.DAKSHAYINI E

4 MODULE 4: STRATEGY IMPLEMENTATION & EVALUATION 8 HOURS

The implementation process, Resource allocation, designing organizational structure -

**Designing Strategic Control Systems - Matching structure and control to strategy
- Implementing Strategic change-Politics-Power and Conflict-Techniques of strategic evaluation & control**

Strategy Implementation Process

Strategy implementation is crucial because it concerns action rather than just brainstorming ideas. It enables a team to understand that the strategies presented are viable. Strategy implementation serves as a great tool for team development as every member can participate in the process. It relies on thorough communication and the right tools.

Strategy Implementation Process

- Integrated Process
- Strategy implementation is a holistic and integrated process. It implies that different activities that constitute strategy implementation are interdependent. For instance, an organization's promotional strategy's activities are interrelated and have to be executed in accordance with each other.

Strategy Implementation Process

➤ Action Oriented

A strategy should be actionable. It can be made actionable via various management processes, including planning and organizing. The management is not just responsible for formulating a plan but also for converting the plan into action.

➤ Varied Skills

It suggests that strategy implementation concerns wide-ranging skills. Vast knowledge, abilities, positive attitude, and organizational skills are required to implement a strategy. Proficiency in these skills helps in allocating resources, crafting policies, and devising structures

Strategy Implementation Process

➤ Wide Involvement

Strategy implementation demands the participation of all the components of a system. It includes the top, middle, and lower level management. The top management has to maintain transparency and clarity while communicating the strategy to be implemented. The middle management must further regulate the norms and ensure no miscommunication happens.

➤ Wide Scope

It covers a range of administrative and managerial activities. For instance, to implement a marketing strategy you must prepare a marketing budget, conduct market research, develop a promotional plan, conduct test marketing, launch the product, and collect customers' feedback

Strategy Implementation Process

- Establish the right work environment and corporate culture that supports and embraces strategy implementation. By motivating employees and rewarding success, you'll improve the effectiveness of your strategy.
- Employ a team of highly skilled and experienced professionals to tackle individual supporting projects.
- Improve internal communication to ensure all team members have the support and knowledge they need.
- Develop procedures or policies which help teams better achieve their goals.
- Create a healthy budget and allocate the resources needed to implement the strategy

Strategy Implementation Process

1. Set Goals

Ensure from the onset that all goals are realistic and attainable within your set timeframe and resource allocation. Determine whether the goals are companywide or department specific. Then identify any key variables or obstacles that may arise and develop contingency plans.

2. Determine Roles

Communicate your implementation strategy with your team. This will help you establish what responsibilities each department will take on and outline your action plan for colleagues and stakeholders

Strategy Implementation Process

3. Assign Work

Assign tasks to your team members. Each individual should understand the overarching goal and how their specific assignment supports it. Deadlines should be clearly communicated to ensure the project stays on task.

4. Execute and Monitor

It's time to put your strategic plan into action. All team members should have the resources they need to complete the task at hand. Regularly check in with your team to monitor progress and address any roadblocks that may arise

Strategy Implementation Process

5. Adjust and Revise

This is often the most important step of the process. As issues or challenges arise, shift your approach, and take corrective action to your process as needed. So long as you share updates with your team and all stakeholders, staying agile throughout strategic implementation will greatly improve your project outcome.

6. Complete the Job

Continue to check in on your team members to ensure the project is on track and that no additional resources are needed to achieve the goal. Update all stakeholders with any important details of the job or delays in your team's progress

Strategy Implementation Process

7. Review and Reflect

The final step of the process is to conduct a retrospective of the strategy implementation. Reflect on the overall process, and review what went well and what did not. Use these learnings to improve your strategy for future projects.

Resource allocation

Resource allocation is the process of assigning and managing assets in a manner that supports an organization's strategic planning goals. Resource allocation includes managing tangible assets such as hardware to make the best use of softer assets such as human capital.

Resource allocation

Resource allocation is the process of assigning and scheduling available resources in the most effective and economical way possible. Projects will always need resources but they can often be scarce.

Resource allocation

Resource allocation helps project managers schedule the best team for the job, and optimize how work is assigned. Project managers have to match team members to the right tasks to deliver projects on time and within budget.

Resource allocation

Resources are optimally allocated when they are used to produce goods and services that match consumers' needs and wants at the lowest possible cost of production. Efficiency of production means fewer resources are expended in producing goods and services, which allows resources to be used for other economic activities, such as further production, savings, and investment. This basically boils down to creating what customers want as cheaply and efficiently as possible.

Resource allocation

Resource allocation begins at strategic planning when a company formulates its vision and goals for the future. The vision and strategic goals are accomplished through achievement of objectives. For example, a consumer electronics company's goal may be to become the market leader in computer tablets. An objective towards this goal is the design and promotion of an innovative tablet.

Designing organizational structure

Organization Design is a process for shaping the way organizations are structured and run. It involves many different aspects of life at work, including team formations, shift patterns, lines of reporting, decision-making procedures, communication channels, and more.

Designing organizational structure

The structure of any building depends on its base or foundation. A strong foundation and a basic structure are critical to making a building strong. Although it is possible to redesign and restructure a building, if the base is weak, the whole structure of a building will be unstable.

Designing organizational structure

We can clearly see how important a foundation is. Moreover, foundation and design are inter-related to each other. Similarly, from an organizational point of view, the foundation is the 'Organizational Structure' which demonstrates different roles, hierarchy levels and terms, and conditions in an organization. 'Organisational Design' encompasses restructuring and destructuring roles, hierarchy level, terms, and conditions as per business or organizational needs.

Designing organizational structure

organizational structure also defines the flow of information between different levels of an organization, clarity of job of each employee, and its fitment in the overall system which motivates the employees to work efficiently by keeping their morale high; hence, increasing the overall productivity of an organization

Organizational Structure Is Of Two Types

1. Centralized Structure

In this type of organizational structure, all decisions, as well as processes, are defined; and handled by the top management. Employees and managers are responsible for the successful implementation of decisions and have to follow them. The employees low in the chain of command play a minimal role in the process of decision-making. Few real-life examples of such organizations are Army, companies like Flipkart, Apple, McDonald's, etc. where the power of decision-making is held at the top level and there is a wide chain or hierarchy of managers and subordinates. Thus, the centralized structure has a top-down approach for decision flow

PROS	CONS
Clear communication and chain of command	Dictatorship in terms of leadership
Cost reduction I e administrative cost	Work delays due to dependency in management
Fast implementation of decisions	Employees feel disconnected in result reduce work efficiency
Improved work quality in and reduction in task replication	Lack of authority in Managers

2. Decentralized Organization Structure

In such type of organizations, day-to-day tasks and the decision-making processes are delegated to the supervisors at the middle and lower level by the top management for fast and effective decisions and to improve efficiency. By letting the middle and lower level executives jump in the process of decision-making, the top management can focus on other major decisions. This also increases the responsibility and accountability of the employees

Pros	Cons
Better customer service	Difficult co ordination
Better staff motivation	Expensive process
Quick decisions	Unnecessary cost increase due to benefits by external factors
Effective communication	
Improved supervision and control	

In simpler terms, “Organizational Design” refers to defining, designing, and re-structuring organizational structure. The very process of organizational design is aimed at finding any type of defective or dysfunctional elements related to an organization’s system, organization structure, process, and work culture. Identification of these elements leads to their rectification so that they can better fulfil an organization’s objective

It clarifies different aspects like authority, the responsibility of tasks and its limitations, reporting structure, a flow of information, etc. With the help of organizational design, one can identify and eliminate any kind of duplicity in work, inefficient work, poor customer dealing, blame games, obstacles in the decision-making process, shortfalls in systems, and processes which result in the decline of efficiency of the employees, lack of trust among superiors and subordinates, etc.

organizational design and organizational structure are interrelated to each other, yet have a slight difference. The organizational structure represents organizations in an immovable or static form that can be presented through a diagram, popularly known as “Organogram.” These diagrams or organization charts provide an easy interpretation of different functions of organizations and their relationships. Also, they show a hierarchy of the staff i.e. managers, leaders, other team members, and supervision levels.

MODULES 5: CURRENT STRATEGIC ISSUES

A Strategic Issue is an issue - an unresolved question needing a decision or waiting for some clarifying future event. It is strategic and has major impact on the course and direction of the business.

It is a long-term issue whose resolution will help move the organization toward its vision. Resolving the strategic issue will have a major impact on the direction and success of the firm.

CURRENT STRATEGIC ISSUES

- Evolving Technology
- Undercutting Each Other in Price Wars
- Delaying Partnering with Employees
- Attempting to Be Everything
- Unanticipated Political Factors
- Economic Factors
- Ineffective Branding
- Ineffective Corporate Leadership

CURRENT STRATEGIC ISSUES

Organizations plan and implement changes to boost competitive advantage or achieve another significant objective.

Some areas that typically produce Strategic Issues are:

- Strategic Focus
- Strategic Competencies
- Culture modification/Organizational change
- Resource limitations
- Strategic alliances/acquisitions/mergers/joint ventures
- E-commerce products

CURRENT STRATEGIC ISSUES

- The strategic issue is derived from the facts and data provided by the external and internal analysis and its synthesis through the SWOT framework.
- The business decision makers do not define the strategic issue(s) at the beginning of the strategic management process, through a hunch or guess, but after the analysis is completed.
- Once defined, the strategic issue helps drive the strategies that the organization develops and pursues. A strategic issue, when identified correctly and used effectively, becomes the strategic focus of the organization. In this process, more than one strategic issue may surface.
- Generally, decision makers will condense these into a single statement, or deal with less important strategic issues when establishing strategies or lower order goals.

CURRENT STRATEGIC ISSUES

Following are several useful approaches for Strategic Issue resolution:

- Ask the question “what is at issue?” or “why is this an issue?”. In other words, define the problem. An issue is often half resolved once a good definition is developed.
- Drive the discussion until either a decision has been reached or the additional steps needed to make a later decision have been defined. A sense of future direction must be captured - either in the form of a decision or a path to resolution.
- Define alternative solutions and record those on which there seems to be consensus. Sometimes it is beneficial to let the discussion run to the tactical level because the team may generate material that could be useful later as a possible Strategic Objective.
- Explore and evaluate, at least implicitly, the upside potential, the downside risk, the resource consumption and the probabilities of success for the alternatives and select the best direction. Seek to shortcut the process for time efficiency by identifying key factors that dominate all others.

Managing Technology and Innovation

Technology Innovation Management is the process of controlling, guiding, and managing the creation and execution of fresh corporate strategies and technical advances. This strategy is meant to facilitate the expansion of current businesses.

The strategic management of technology and innovation is an important contributor to organizational performance and competitiveness. It creates value, assists differentiation, enhances productivity, and guides creativity and initiative.

Managing Technology and Innovation

An effective strategy for managing innovation and technology usually involves making use of comprehensive analysis tools. These tools ensure the team can manage risk to minimize negative impact and exploit opportunities. They also use decision-support tools, such as impact analysis and force field analysis, to examine possible outcomes and choose the best solution to a problem.

Successful entrepreneurs develop strategies that enable them to solve business problems in a creative way. By training their teams to use creative problem-solving processes, such as the Simplex Process, these innovators view problems as opportunities. They identify the problem by interviewing customers or evaluating current products.

Managing Technology and Innovation

Innovation management informs high-level business objectives to create maximum value for the organization.

Any effective business strategy, building an innovation strategy should begin with a clear understanding and articulation of specific objectives designed to benefit the organization to accomplish a sustainable competitive advantage.

Strategic technology and innovative initiatives are necessary to manage and drive value from emerging technologies within an organization. Such initiatives enable an organization to identify and transform new ideas into products, processes, or services that increase customer value, business growth, organizational efficiency, and profitability.

Managing Technology and Innovation

- Setting goals and laying out plans
- Motivating and aligning effort
- Coordinating and controlling activities
- Accumulating and allocating resources
- Acquiring and applying knowledge
- Building and nurturing relationships
- Identifying and developing talent
- Understanding and balancing the demands of outside constituencies

Managing Technology and Innovation

An effective strategy for managing innovation and technology usually involves making use of comprehensive analysis tools. These tools ensure the team can manage risk to minimize negative impact and exploit opportunities.

- improved productivity.
- reduced costs.
- increased competitiveness.
- improved brand recognition and value.
- new partnerships and relationships.
- increased turnover and improved profitability.

Managing Technology and Innovation

It involves the know-how and technological core skills to deliver the functionality on the one hand, and the ability to identify changes in technologies to come up with new innovations on the other.

It is also necessary for optimal productivity, growth, and long-term success.

Blue Ocean Strategy

Blue Ocean Strategy is referred to a market for a product where there is no competition or very less competition. This strategy revolves around searching for a business in which very few firms operate and where there is no pricing pressure.

Blue Ocean Strategy can be applied across sectors or businesses. It is not limited to just one business.

Blue Ocean Strategy

A blue ocean exists when there is potential for higher profits, as there is now competition or irrelevant competition.

The strategy aims to capture new demand, and to make competition irrelevant by introducing a product with superior features. It helps the company in make huge profits as the product can be priced a little steep because of its unique features.

Blue Ocean Strategy

Key points of the Blue Ocean Strategy:

- **It's more than theoretical.** Some strategic planning models are based on theories that don't quite pan out during go-to-market executions. In contrast, Blue Ocean Strategy originated from a study that took place over 10 years and analyzed company successes and failures in more than 30 industries. It's based on proven data rather than unproven ideas.
- **The competition is irrelevant.** Taking a Blue Ocean approach means your goal isn't to outperform the competition or be the best in the industry. Instead, your aim is to redraw industry boundaries and operate within that new space, making the competition immaterial.

Blue Ocean Strategy

- **Differentiation and low cost can coexist.** The Blue Ocean Strategy argues that consumers don't have to choose between value and affordability. If a company can identify what consumers currently value and then rethink how to provide that value, differentiation and low cost can both be achieved. This is termed "value innovation."
- **You have a framework to test ideas.** The Blue Ocean Idea Index is part of the overarching strategy and lets companies test the commercial viability of ideas. This process helps refine ideas and identify opportunities with the most potential, minimizing risk.

Blue Ocean Strategy

Examples of Blue Ocean Companies

A blue ocean is specific to a time and place. Ford and Apple are two examples of leading companies that created their blue oceans by pursuing high product differentiation at a relatively low cost, which also raised the barriers for competition. They also were paradigmatic of burgeoning industries at the time that were later exemplified and emulated by others.

Blue Ocean Strategy

Apple Inc.

- Apple Inc. found a blue ocean with its iTunes music download service. While billions of music files were being downloaded each month illegally, Apple created the first legal format for downloading music in 2003.
- It was easy to use, providing users with the ability to buy individual songs at a reasonable price. Apple won over millions of music listeners who had been pirating music by offering higher-quality sound along with search and navigation functions. Apple made iTunes a win-win-win for the music producers, music listeners, and Apple by creating a new stream of revenue from a new market while providing more convenient access to music.

Netflix

- Another example of a blue ocean firm is Netflix, a company that reinvented the entertainment industry in the 2000s. Rather than enter the competitive marketplace of video rental stores, Netflix created new models of entertainment: first by introducing mail-order video rentals, and later by pioneering the first streaming video platform paid for by user subscriptions.
- Following their success, many other companies have followed in Netflix's footsteps. As a result, any new company trying to launch a video subscription model will find itself facing a red ocean rather than a blue one.

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Managing in an economic crisis

Strengthen strategic thinking: place more emphasis on scenario planning, trends analysis and client/ market listening.

Institute strategic planning cycle: make the process more regular and important inside the organization.

Make a stronger connection to resource allocation: ensure that strategic plans allocate resources and connect to budgets.

Managing in an economic crisis

Increase leadership engagement: more visibility and direct involvement in the strategic planning process by senior leaders.

Improve strategic action: enhance operational execution through better change and performance management as well as overall communications.

Managing in an economic crisis

- some difficult decisions may have to be made regarding product pricing, marketing initiatives, hiring, benefits and even new launches. While each business will experience a recession in unique ways, the most common challenges faced by companies of all sizes include
 - Providing encouragement and reassurances to your existing leaders and staff
 - Identifying undiscovered leaders in your organization and calling on them to step up

Managing in an economic crisis

- Offer intangible perks: Knowing how to motivate employees outside of monetary compensation is essential. Flexible scheduling — allowing employees to take time off or work remotely — is one popular intangible perk. As you implement these changes, closely monitor productivity. Don't let relaxed oversight lead to decreased employee output.
- Make every manager an advocate for mental and emotional health: Educate employees on how mental health issues can affect the workplace. Ensure that managers are prepared to offer help, follow wise protocol and avoid developing stigmatizing prejudices.
- Use your employee assistance program: These programs can be a great asset for employees struggling through various issues.

Managing in an economic crisis

- Think long-term: Planning can take much of the unknown out of the equation. Give leaders tools for training, productivity, communication and mitigation long before they need it.
- Conduct regular checkups: Instead of entering crisis mode once a recession hits, use every opportunity to gauge the health of your business. Use data to guide how you build efficient teams, foster new leadership and support your employees' well-being. Those that are proactive, rather than reactive, may get better results.

Managing in an economic crisis

- 1.Regularly assess the health of your business.
- 2.Readjust your products and services and the resources required as necessary.
- 3.Build a lean, efficient team and remind them that you appreciate them.
- 4.Listen to your employees' needs, and they will give discretionary effort for you.
- 5.Never stop thinking about how you can accomplish numbers 1-4 better and more efficiently.

New directions in strategic thinking

Strategic thinking is a skill. You can develop it, leverage it or improve it. Strategic planning is a process. It has to be conducted or carried out. So while thinking in a certain manner can be a natural or a nurtured attribute, planning strategically is a process that drives results or needs tactical actions to be defined within its framework.

strategic thinking is a skill that is usually a personal or an individual competency. Hence, the leaders with strategic thinking will take some serious decisions that will decide the future course of the company.

New directions in strategic thinking

- Articulate your goals clearly.
- Research and identify options to reach those goals.
- Analyze the possibilities and risks objectively.
- Decide on a course of action based on your research and analysis.
- Create an implementation plan.
- Adapt and adjust along the way.

New directions in strategic thinking

Six common components include:

- 1) tools for analysis
- 2) strategic purpose
- 3) values
- 4) vision
- 5) key goals
- 6) action planning.

New directions in strategic thinking

- ❖ Strategic direction refers to the plans that need to be implemented for an organisation to progress towards its vision and fulfil its goals.
- ❖ It ensures owners and management can communicate the importance of employees work and their contribution to achieving business objectives.
- ❖ Strategic direction is an approach to planning in the workplace that helps management define short-term and long-term goals. It comprises the foundational ideas or actions that allow for greater consistency in strategy. Organizations often use this approach to create mission and vision statements.

New directions in strategic thinking

- Strategic thinking is an organizational and pragmatic type of critical thinking. Thinking strategically involves seeing the big picture, planning ahead, and putting thought into action, typically to gain a competitive advantage in business.
- Strategic thinking involves making a series of decisions about what actions the company intends to take to become more successful.
- New directions for strategic thinking include adeptness at predicting how competitors are likely to react to the strategies they implement. They begin to view the business as their customers see it, and formulate strategies so they do a more capable job of reaching new potential customers. Strategic thinking enables a business owner to make more logical, confident decisions.

New directions in strategic thinking

- ❖ Strategic thinking forces companies to recognize they cannot afford to stand still. They must be innovative in all aspects of the operation of the business. A company content to do things the same way year after year usually ends up losing market share to companies that are not afraid of change.

Strategic issues for Non Profit organizations

Not-for-Profit (NFP): An organization that provides some service or good with no intention of earning a profit. NFP includes Private nonprofit corporations (such as hospitals, institutes, private colleges, and organized charities) as well as Public governmental units/agencies (such as welfare departments, prisons, and state universities)

Strategic issues for Non Profit organizations

- **Importance of Revenue Source:** NFPs are dependant on dues, assessments, or donations for their revenue sources. In NFP organizations there is likely to be a very different sort of relationship between the organizations providing and the person receiving the service. Because the recipient of the service typically does not pay the entire cost of the service, outside sponsors are required.
- **The pattern of Influence on Strategic Decision Making:** Pattern of influence is derived from its source of revenues. Those who fund the NFP are likely to have a significant influence on its operations

Strategic issues for Non Profit organizations

The usefulness of Strategic Management and Techniques: some strategic management concepts can be equally applied to business and not-for-profit organizations whereas others cannot. The concept of competitive advantage is less useful to the typical not-for-profit organizations than the related concept of Institutional advantage. An NFP organization is said to have an institutional advantage when it performs its tasks more effectively than other comparable organizations

Strategic issues for Non Profit organizations

Strategic management is difficult to apply where the output of an NFP is difficult to measure. Thus it is very likely that most of the NFPs have not used strategic management because its concepts, techniques, and prescription does not lend themselves to situations where sponsors, rather than the market place determine the value. However, the situation is changing nowadays.

Strategic issues for Non Profit organizations

Impact on Strategy Formulation:

- **Goal conflicts with rational planning:** because NFPs typically lack a single clear-cut performance criterion, divergent goals and objectives are likely, especially with multiple sponsors.
- **An integrated planning process tends to shift from results to resources:** because NFPs tend to provide services that are hard to measure planning becomes more concerned with resource inputs, which can be easily measured than with service which cannot.
- **Ambiguous objectives create opportunities for internal politics and goal displacement:** the combination of vague objectives and heavy concerns with resources allows managers a considerable scope in their activities. Such an attitude created opportunities for politics.
- **Professionalization simplifies detailed planning but adds rigidity:** In NFPs professional values and traditions can prevent the organizations from changing their conventional behavior patterns to fit new service missions tuned to changing social needs. The goals of the professionals and their representative bodies may not align with organizational goals.

Strategic issues for Non Profit organizations

Impact of Constraints:

Several characteristics peculiar to the not-for-profit organization constrain its behavior and affect its strategic management. The constraints are as follows:

- Service is often intangible/hard to measure
- Client influence may be weak
- Strong employee commitments to professions
- Resource contributors intrude on internal management
- Restraints on the use of rewards and punishments

Strategic issues for Non Profit organizations

Impact on Implementation

- **Decentralization is complicated:** the difficulty of setting objectives for an intangible service complicates the decision-making authority.
- **Increased requirement for an environmental buffer role:** because of the heavy dependence on outside sponsors a special need arises for people in buffer roles to relate to both inside and outside organizations. The job of a “dean for external affairs” for example consists primarily of working with the school alumnae and raising funds.
- **Job enlargement and executive development can be restrained by professionalism:** in organizations that employ a large number of professionals, managers must design jobs that appeal to prevailing professional norms.

Small Scale Industries

Small scale industries are referred to as those industries in which the process of manufacturing, production and servicing are done on a small scale. The investment on such industries is one time and these investments are mostly done on plant and machinery, the total investment on such industries do not exceed 1 crore.

Small Scale Industries

- 1. Employment generation: Small scale industries are one of the best sources of employment generation in India. Employment is one of the most important factors that determines the growth of a nation. Therefore, development of small scale industries should be encouraged for the development of more employment opportunities in the nation.
- 2. Less Capital Requirement: Small scale industries are less capital intensive than the large scale industries. Capital is scarce in developing countries, small scale industries are most suitable for maintaining the balance.
- 3. Use of resources and development of entrepreneurial skills: Small scale industries allow for the development of entrepreneurial skills among the rural population which is not having the scope of large scale industries. These industries help in the appropriate use of the resources available in the rural areas, which leads to development of rural areas.

Small Scale Industries

- 4. Equal income distribution: Small scale industries by generating employment opportunities create equal income opportunities for the youth of the underdeveloped areas. This leads to the growth of the nation in terms of employment, human development.
- 5. Maintains regional balance: It has been seen that large scale industries are mostly concentrated in the large cities or restricted to areas which leads to migration of people in search of employment to these cities. The result of such a migration is overcrowding of the city and damage to the environment.
- 6. Short production time: Small scale industries have a shorter production time than the large scale industries which results in flow of money in the economy

Small Scale Industries

- 7. Supporting the large scale industries: Small scale industries help in the growth of the large scale industries by producing ancillary products for the large industries or producing small components that will be useful for the assembling of final products by the large scale industries.
- 8. Improvement in Export: Small scale industries forms a significant part of the revenue earned from the exports. Small scale industries work towards increasing the forex reserves of the country that reduces the load on balance of payment of the country.
- 9. Reduce the dependence of agriculture: Most of the rural population will be dependent on agriculture and this creates a burden on the agricultural sector. Small scale industries by providing employment opportunities to the rural population provides more avenues for growth and also paves way for a more arranged distribution of occupation.

Small Scale Industries

The following are the problems faced by Small Scale Industries:

Poor capacity utilization

In many of the Small Scale Industries, the capacity utilization is not even 50% of the installed capacity. Nearly half of the machinery remains idle. Capital is unnecessarily locked up and idle machinery also occupies space and needs to be serviced resulting in increased costs.

Incompetent management

Many Small Scale Industries are run in an incompetent manner by poorly qualified entrepreneurs without much skill or experience. Very little thought has gone into matters such as demand, production level and techniques, financial availability, plant location, future prospects etc. According to one official study, the major reason for SSI sickness is deficiency in project Management i.e., inexperience of promoters in the basic processes of production, cash flow etc

Small Scale Industries

Inadequate Finance

Many Small Scale Industries face the problem of scarcity of funds. They are not able to access the domestic capital market to raise resources.

Raw material shortages

Raw materials are not available at the required quantity and quality. Since demand for raw materials is more than the supply, the prices of raw materials are quite high which pushes up the cost. Scarcity of raw materials results in idle capacity, low production, inability to meet demand and loss of customers.

Small Scale Industries

Lack of marketing support

Small Scale Industries lack market knowledge with regard to competitors, consumer preferences, market trends. Since their production volume is small and cannot meet demand for large quantities their market is very restricted. Now with the process of liberalization and globalization they are facing competition from local industries as well as foreign competitors who sell better quality products at lower prices.

Small Scale Industries

Problem of working capital

Many Small Scale Industries face the problem of inadequate working capital. Due to lack of market knowledge their production exceeds demand, and capital gets locked in unsold stock. They do not have enough funds to meet operational expenses and run the business.

Problems in Export

They lack knowledge about the export procedures, demand patterns, product preferences, international currency rates and foreign buyer behavior. Small Scale Industries are not able to penetrate foreign markets because of their poor quality and lack of cost competitiveness

Small Scale Industries

Lack of technology up-gradation

Many Small Scale Industries still use primitive, outdated technology leading to poor quality and low productivity. They do not have adequate funds, skills or resources to engage in research and development to develop new technologies. Acquiring technology from other firms is costly.

Multiplicity of labor laws

One of the merits of Small Scale Industries are that they are labor intensive and can provide employment to a large number of people. But the multiplicity of labor laws, need to maintain several records (PF, ESI, Muster Rolls etc), fines and penalties for minor violations etc place Small Scale Industries at a great disadvantage

Small Scale Industries

Inability to meet environmental standards

The government lays down strict environmental standards and Courts have ordered closure of polluting industries. Small Scale Industries which are already facing shortage of funds to carry out their business are not able to spend huge sums on erecting chimneys, setting up effluent treatment plants etc.

Delayed payments

Small Scale Industries buy raw materials on cash but due to the intense competition have to sell their products on credit. Buying on cash and selling on credit itself places a great strain on finances. The greater problem is payments are delayed, sometimes even by 6 months to one year. It is not only the private sector but even government departments are equally guilty. Delayed payments severely impact the survival of many Small Scale Industries.

Small Scale Industries

Poor industrial relations

Many Small Scale Industries are not able to match the pay and benefits offered by large enterprises, because their revenues and profitability are low and also uncertain. This leads to labor problems. Employees fight for higher wages and benefits which the SSI is not able to provide. This may lead to strikes, resulting in damage to property in case of violence by employees, production losses etc.

Strain on government finances

Marketing of products manufactured by Small Scale Industries is a problem area. The government has to provide high subsidies to promote sales of products produced by Khadi and Village Industries.

Small Scale Industries

Concentration of industrial units

This leads to high costs and scarcity of raw materials and other inputs affecting their production and increasing costs.

Inadequate dispersal

One of the objectives of the government in promoting Small Scale Industries was to increase industrial development and employment opportunities throughout the country. Since nearly 60% of the Small Scale Industries are concentrated in few states, the objective of balanced regional development and promotion of backward areas has not been achieved. Further majority of Small Scale Industries are located in urban areas and the aim of industrial development in rural areas has also been defeated.

Small Scale Industries

Widespread sickness

Sickness among Small Scale Industries is widespread. Sickness is not detected in the initial stages and large amount of funds are locked in them. Due to this new entrepreneurs are not able to get loans, workers in the sick units lose their jobs and industrial and economic development is affected.

Lack of awareness

The government has set up many organizations to support and provide assistance to Small Scale Industries. But, many of the entrepreneurs running Small Scale Industries are not aware of the various support services.

Small Scale Industries

Government interference

Small Scale Industries have to maintain a number of records and there are endless government inspections. A lot of time, money and effort is wasted in complying with various inspections and records verification. This prevents Small Scale Industries from fully concentrating on their business activities.

New Business Models

The term business model refers to a company's plan for making a profit. It identifies the products or services the business plans to sell, its identified target market, and any anticipated expenses. Business models are important for both new and established businesses. They help new, developing companies attract investment, recruit talent, and motivate management and staff.

- A business model is a company's core strategy for profitably doing business.
- Models generally include information like products or services the business plans to sell, target markets, and any anticipated expenses.
- There are dozens of types of business models including retailers, manufacturers, fee-for-service, or freemium providers.
- The two levers of a business model are pricing and costs.
- When evaluating a business model as an investor, consider whether the product being offer matches a true need in the market.

New Business Models

A new business model should also cover projected startup costs and financing sources, the target customer base for the business, marketing strategy, a review of the competition, and projections of revenues and expenses. The plan may also define opportunities in which the business can partner with other established companies.

New Business Models

The servitisation (subscription) business

Instead of selling a product or a service as a one-off, servitisation companies operate on a subscription or ongoing service model, building a more intimate understanding of their customers in the process. As an example, let's compare content creators Netflix and Disney. Disney produces a film, releases it in cinemas, and the film is either a hit or it's not. They won't necessarily understand exactly how many people watched it and how much those viewers liked it. Netflix, on the other hand, has an intensely close customer relationship, understanding exactly how many users have streamed a movie or series, whether they gave up part-way through and watched something else, whether they then went on to watch more content starring the same actor, etc

New Business Models

The platform-based business

Well-known examples of platform businesses include Facebook, GitHub, Uber and Airbnb. As you can probably guess from these examples, platforms provide a mechanism or network – this could be a physical network, not necessarily online – for parties to interact with each other. Platforms deliver value for users by facilitating direct connections and exchanges between people.

The social, authentic business

The traditional, corporate business model, with its hierarchies, silos and endless formal meetings is changing. These days, customers want to see the people behind the brand; they want to really “connect” with a business. Remember how companies and, more specifically, the people who work for them were discouraged from voicing personal view points or discussing the company outside of work? That’s now an outdated way of operating. Today’s authentic businesses share their opinions and stand up for their values.

New Business Models

The employee-centric business

The way we work is changing. People are more nomadic in their work, and the days of a “job for life” are well and truly gone. To be successful, companies still need great people, but the way they go about attracting those people is changing. The “gig economy” has played a huge role in this transformation, since it gives businesses the means to create a fantastic team in lots of different ways – not just the traditional, full-time, permanent employee route. As such, businesses are increasingly happy for people to come and go, and to work for more than one company at a time. In this changing environment, it’s vital companies become employee centric.

The partner-centric business

As well as becoming more employee centric, companies are also becoming more partner centric. They are almost like networked businesses, outsourcing work, tapping into on-demand services, partnering with providers, and in sourcing expertise where necessary. They create attractive networks of partnerships – and are a valuable partner to others. Just look at the average small or mid-sized business these days and you’ll likely see an example of a networked, partner-centric business.

New Business Models

The customer value-obsessed business

This model applies to absolutely every business because it's all about solving customers' problems, anticipating their needs, making people's lives easier and removing any friction or hassle. Amazon is an obvious example of this. Online personal styling subscription service Stitch Fix is another great example. With Stitch Fix, users detail their size and style preferences by filling out a questionnaire. Then, using artificial intelligence, the system pre-selects clothes that will fit and suit the customer, and a personal stylist chooses the best options from that pre-selected list. And voila, the perfect clothes for you arrive at your door every month. No more shopping in crowded shopping centres, queueing for changing rooms, or ordering items online only to find they don't fit.

The constant-innovation business

The ability to innovate is crucial to business success. But, today, the pace of innovation isn't just fast, it's constant. Some of the most successful businesses in the world are constantly innovating and transforming, even if it means cannibalising their own products and services to create something new. Take Apple's iPod, for example. By introducing smart phones that could hold your music, the company effectively killed off the need for a separate device..

New Business Models

The data-driven business

Smart organisations recognise that data is one of their critical business assets. *Really* smart organisations encourage a data culture, where the importance of data is recognised at every level of the business, and decisions across the company are based on data, not assumptions. The data-driven business has measures in place to understand exactly what's happening now, and uses that information to make better decisions, refine operations and even create new revenue streams. Companies who really value data are well placed to experiment and innovate at a faster pace, which ties in with the previous business model.

The tech-savvy business

Apple, Alphabet (Google's parent company), Microsoft, Amazon and Facebook are, at the time of writing, among the six most valuable companies in the world; the only non-tech company in the top six is Warren Buffet's Berkshire Hathaway. Regardless of your sector and company size, it's vital your organisation embraces technology.

Strategies for Internet Economy

- Internet and E commerce is the basic tool for the formulation of strategy, implementation of strategy and control the strategy in the modern business environment.
- It is rapidly growing and emerging e commerce environment that applicable all firms.
- Internet and e commerce change everything day by day in business units.
- The internet is the driving force of historical and revolutionary proportions in business.
- It creates new market and new driving forces and key success factors and help to the formulation of new strategic groups in business units.
- It helps to company's ready face competitive advantages in the market due to new and advanced technology.
- It presents opportunities and threats that demand strategic response and that require managers to craft bold and advanced new strategies.

Strategies for Internet Economy

1) Impact Competitive Rivalry :

The on geographic market of companies has been expanded with the help of internet which has increased the number of competitors and surged competition in the adjoining areas to exceptional levels. Internet has also condensed the geographical barriers and induced companies to compete with each other and facilitating correspondence between the two companies. An internet technology has added to the fixed cost of technology infrastructure and customer attainment whereas cost of procuring materials, marketing of goods and services has been reduced. Thus, due to mounting pressures, organisations have to offer competing prices. As a result, internet minimizes the life cycle of the products and of strategic initiatives by empowering the competitors to find out methods that enable them to quickly pursue the products and strategies of the opponent in a systematic manner.

2) Impact on Barriers to Entry :

Barriers created for entering the world of e-commerce are less in number. Online firms find it easy to enter the dot com industry and the prevailing industries. It simpler to extend the operations into new geographic marketplaces with the help of online selling portals. The new entrants do not find difficult to enter the existing industries because of internet technology. The requirement of various resources and abilities is removed or reduced considerably because of the presence of internet technology which are expensive and time consuming to generate.

Strategies for Internet Economy

3) Impact on Bargaining Power of Buyers :

A buyer's bargaining power can be increased largely with the help of internet. Customers using internet can hunt for best products or services across the world. It assists the customers to obtain more information, for example, actual costs incurred by the firm which can be recovered by lowering the mediator's costs. Internet minimizes the switch over costs as buyers can measure the differences between competing goods by visiting several websites offering similar products. There are many professional consultants or mediators who not only offer free or inexpensive services but also differentiate between various services offered by several business entities.

4) Impact on Supplier Bargaining Power and Supplier-Seller Collaboration :

Reaching the best suppliers located beyond the local boundaries is possible via internet technology. It also associates with them to attain cost effectiveness and cost savings. Companies can prolong their search for suppliers beyond the local or regional markets via internet, and explore other options of suppliers providing better quality, prices and abilities than the existing suppliers.

Strategies for Internet Economy

5) Overall Influence on an Industry's Competitive Structure :

Internet technology is a major reposition in competitive forces involving industries present in the market and comprising of the following consequences namely, increased competition, considerable threats at the entry level, considerable bargaining power over the vendors, a superior position in terms of bargaining from the buyer's end and also includes incentives for seller-supplier and seller distributor types of alliances. The extent of competitive pressure of a company increases due to the presence of internet technology, which is diminishing the industry attractiveness from profit making perspective.

MODULE 6: CORPORATE GOVERNANCE 10 HOURS

Defining Corporate Governance, Exploring Corporate Governance and the Relationships between Internal and External Stakeholders, The organization's Responsibility and Accountability to Its shareholders, The Organization's Accountability to Its Board of Directors,

Defining Corporate Governance

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place.

Corporate governance can be considered as an environment of trust, ethics, moral values and confidence – as a synergic effort of all the constituents of society – that is the stakeholders, including government; the general public etc; professional / service providers – and the corporate sector.

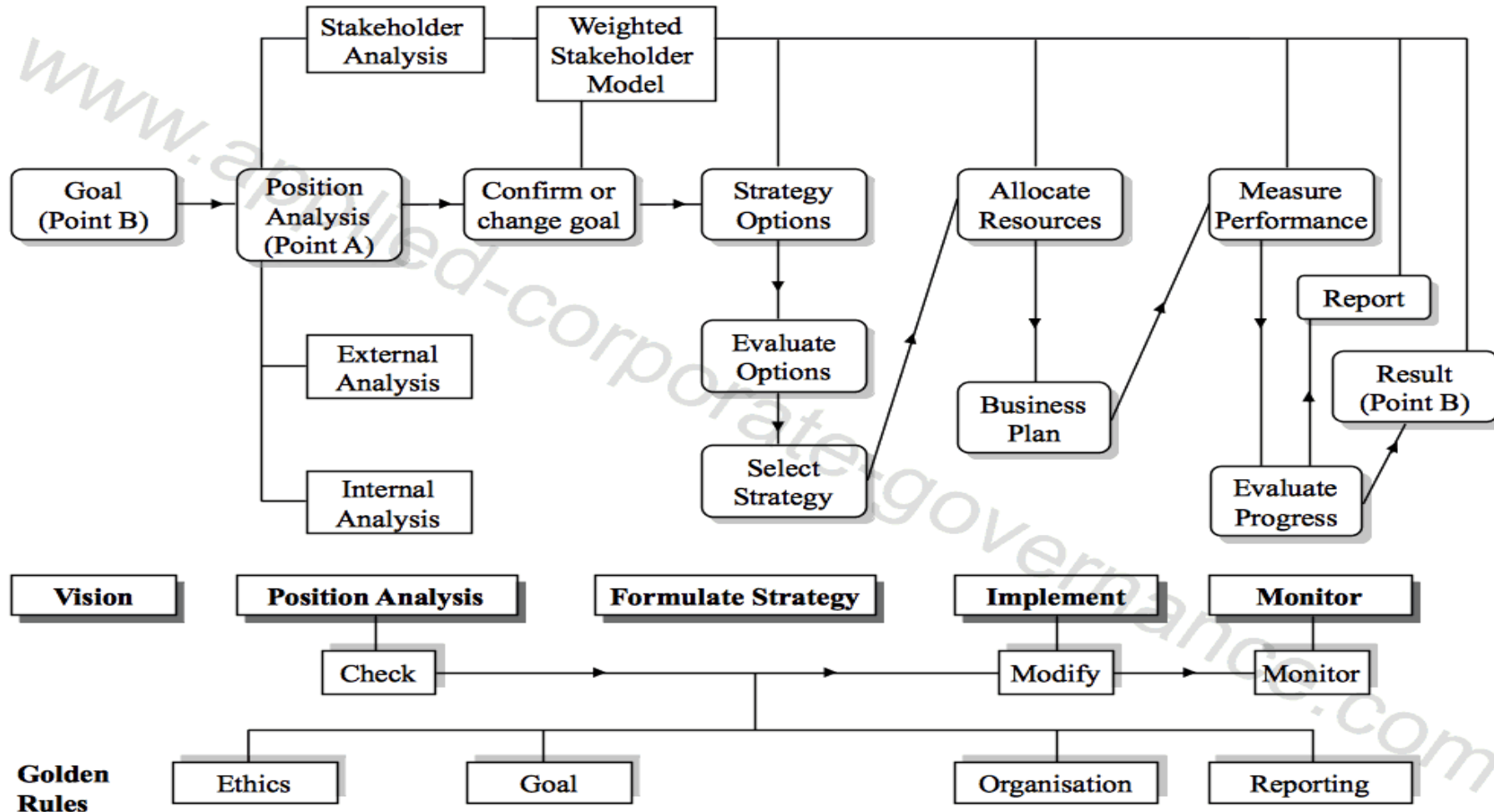
Defining Corporate Governance

- Corporate governance is based on a set of rules, bylaws, policies and procedures to ensure company accountability. When done correctly, it establishes a framework for attaining a company's objectives in all spheres of management. It also recognizes the importance of shareholders. Shareholders elect the company's members of the board, fund company operations and have a direct say in the operation of the business.
- Good governance ensures a company's integrity, overall direction, [risk management](#) and success planning. This, in turn, helps companies stay financially viable and build strong community, shareholder and investor relations and trust. Demonstrating good corporate governance is often considered as important as profitability for businesses.

Defining Corporate Governance

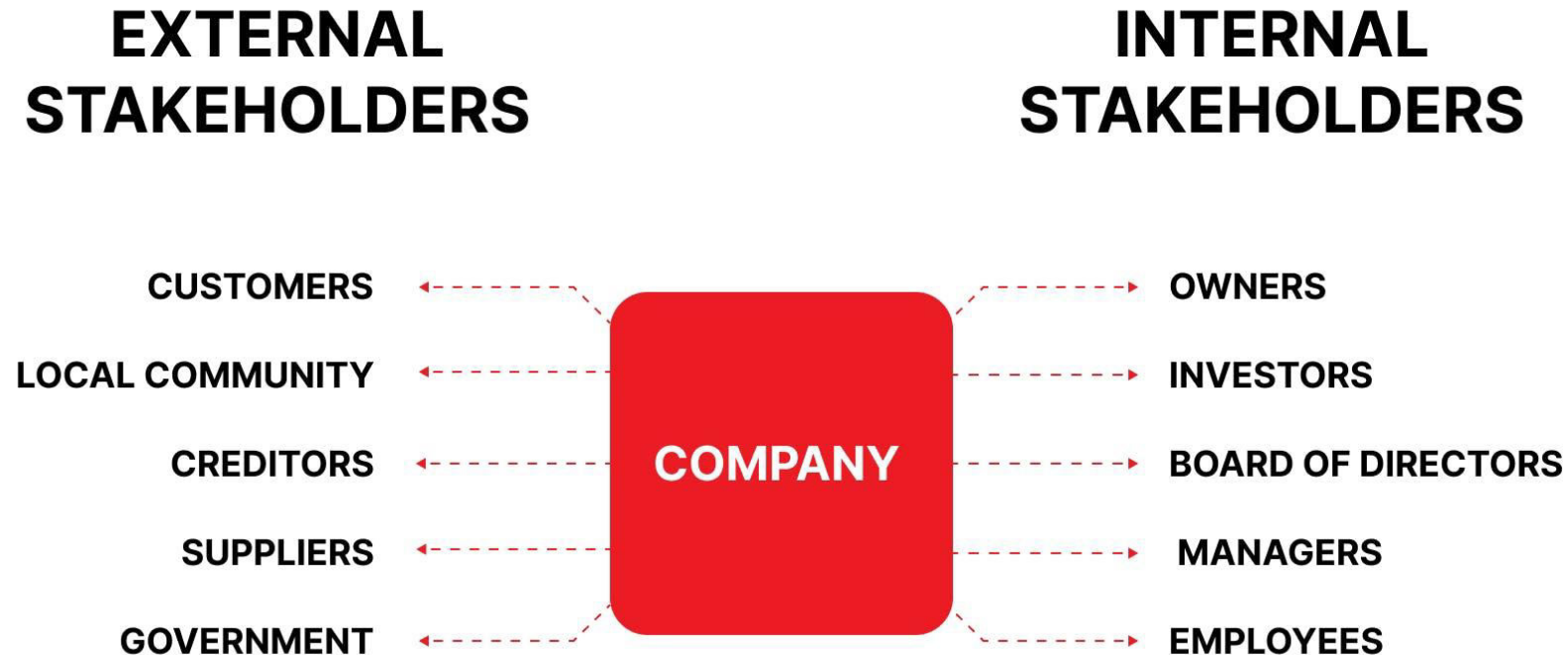
Transparency. All corporate governance policies and procedures should be disclosed to relevant stakeholders. This includes regularly and consistently communicating pertinent information to employees, customers, investors, vendors and members of the community.

Exploring Corporate Governance



A great deal of concern has been expressed all over the world about shortcomings in the systems of corporate governance in operation and its organisation has been exercising the minds of business managers, academics and government officials all over the world. Often companies' main target is to become global – while at the same time remaining sustainable – as a means to get competitive power. But the most important question is concerned with what will be a firms' route to becoming global and what will be necessary in order to get global competitive power. There is more than one answer to this question and there are a variety of routes for a company to achieve this. Corporate governance can be considered as an environment of trust, ethics, moral values and confidence – as a synergic effort of all the constituents of society – that is the stakeholders, including government; the general public etc; professional / service providers – and the corporate sector.

Relationships between Internal and External Stakeholders



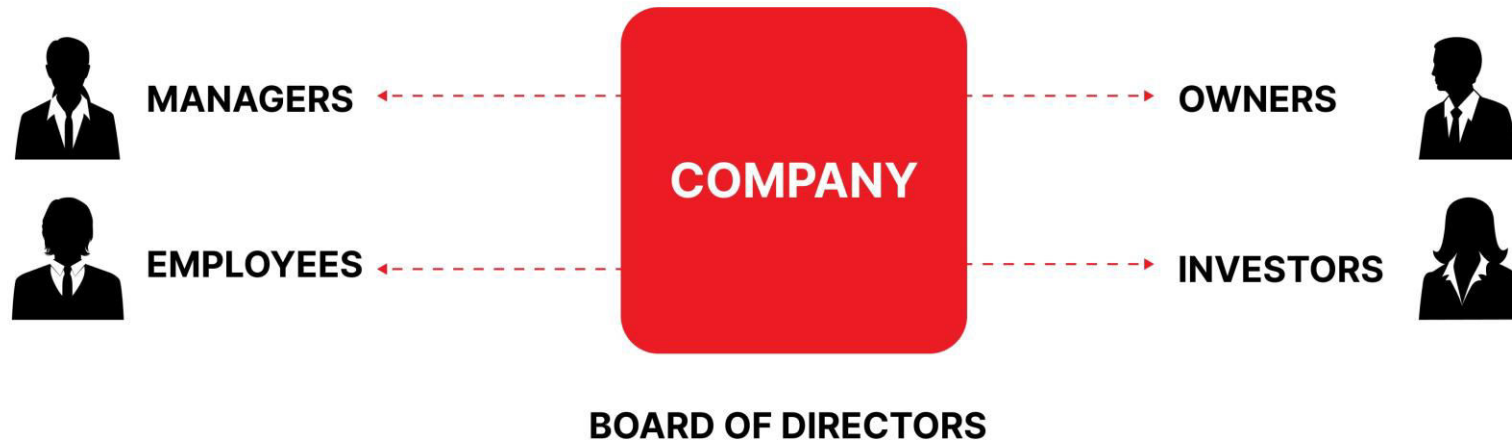
Relationships between Internal and External Stakeholders

Internal stakeholders are people whose interest in a company comes through a direct relationship, such as employment, ownership, or investment. An example of internal stakeholders are employees of a company and its owners or investors.

External stakeholders are those who do not directly work with a company but are affected somehow by the actions and outcomes of the business.

Relationships between Internal and External Stakeholders

INTERNAL STAKEHOLDERS



Relationships between Internal and External Stakeholders

➤ Investors or shareholders

Investors or shareholders are internal stakeholders who are only responsible for the funds they invest in the company. Their influence on decisions is indirect, but their interests require a high priority because they must trust the company to invest their money. However, their interest is often solely financial, as the company regularly generates profit, and its capitalization steadily grows.

➤ Owners

The owners are responsible for the company's foundation and existence, and their influence on the decision-making can vary greatly. If they are only interested in ensuring that the company is consistently profitable, then the influence and responsibility for decisions are transferred to the board of directors. However, the company owners may also directly influence decisions if they are interested in ensuring that its core ideas are consistent with all internal and external processes, products, and services.

Relationships between Internal and External Stakeholders

➤ Board of directors

The board of directors is responsible for making strategic decisions and directly influences all operational aspects of the company. They are also responsible for the company's market capitalization, which their decisions affect. Their main interest is to ensure that investors are happy with their investments and that the owners are satisfied with their choice of persons who have taken over the company's management and the extension of its products and services.

➤ Managers

Managers are responsible for the quality of the employees and good performance, and they can also influence tactical decisions and the setting of goals. Their interest is in the no risk of downsizing, good working conditions, decent wages, and bonuses for good work in their departments.

➤ Employees

Employees are responsible for the quality of their jobs and can sometimes be influential in setting tasks. However, employees need to have confidence in their employer rather than check for open positions at other companies. Therefore the interest of employees is in the absence of risks of downsizing, good working conditions, stable pay, and bonuses.

Relationships between Internal and External Stakeholders

➤ Customers

Individual customers often have no direct influence on a company's decisions, although some good exceptions exist. However, the customers collectively show how successful the company's decisions have been by giving their money and attention, allowing the company to develop and distribute its products and services. Therefore, it is necessary to look at the interests of the customer, which are the high quality, availability, and relevance of the company's products and services.

Relationships between Internal and External Stakeholders

➤ Local community

Local communities do not directly influence the company's decisions, they may still influence the company by organizing various actions and demonstrations. Their interest is that the company doesn't negatively impact their lives in the form of environmental damage, an increase in traffic, etc. At the same time, their interest may be that the company's activities raise the status of the location, attracting more people, which allows them to make higher rents, open profitable businesses, etc.

Relationships between Internal and External Stakeholders

➤ Creditors

Creditors do not influence the company's decisions but are interested in its stable income. That way, they can give the company a bigger loan on better terms.

➤ Suppliers

Today's world is global, and no company is in a completely closed loop. Each company's profits depend on other businesses, and they all provide goods or services to each other. Therefore, suppliers are vested in the company's growth, giving them more orders, profits, and cheaper production.

Relationships between Internal and External Stakeholders

➤ Government

The Government is the external stakeholder interested in companies' growth because the higher the profits, the higher the taxes. Also, the more a company expands, the more jobs it creates, increasing citizens' well-being and purchasing power, which positively affects the demand for goods and services from other companies. If a government provides conditions for the active growth of companies, it makes it attractive for others to start their own companies. In this way, it creates mutual enrichment and positive economic trends.

The organization's Responsibility and Accountability to Its shareholders

The Organization's Accountability to Its Board of Directors