SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

Accredited "A" Grade by NAAC | 12B Status by UGC | Approved by AICTE

www.sathyabama.ac.in

SCHOOL OF LAW

UNIT – I – BUSINESS POLICY AND STRATEGIC MANAGEMENT – SBA1402

UNIT 1 – INTRODUCTION

Business policy -evolution of the concept- Difference between business policy and strategic management- Corporate governance- concept, issues, models, evolution and significance- Introduction to Strategic Management-Concept importance of strategic Management, Strategy & Competitive Advantage, Strategy Planning & Decisions, strategic Management Process- Levels of Strategy -Strategic direction-Vision and Mission -Business Definition

Business policy: Introduction

Business policies are the guidelines formulated by an organization to govern its actions. They define the limits and the scope within which decisions must be made by the subordinates. It allows the lower level management to deal with the issues and challenges without consulting top level management every time for making decisions.

The term "Business Policy" comprises of two words, Business and Policy. Business as we know means exchange of goods and services for increasing utilities. Policy may be defined as "the mode of thought and the principles underlying the activities of an organization or an institution." Policies are general statements of principles which guide the thinking, decision-making and actions in an organization.

Business policy is a set of principles and rules which directs the decisions of the subordinates. Policies are framed by the top level management to serve as a road map for operational decision making. It is helpful in stressing the rules, principles and values of the organization. Policies are designed, by taking opinions and general views of a number of people in the organization regarding any situation. They are made from the past experience and basic understanding. In this way, the people who come under the range of such policies will completely agree upon its implementation. Policies help the management of an organization to determine what is to be done, in a particular situation. These have to be consistently applied over a long period of time to avoid discrepancies and overlapping.

R.E.Thomas: "Business Policy, basically, deals with decisions regarding the future of an ongoing enterprise. Such policy decisions are taken at the top level after carefully evaluating the organizational strengths and weaknesses in relation to its environment".

Features of Business Policy:

An effective business policy must have following features-

a) **Specific-** Policy should be specific/definite. If it is uncertain, then the implementation will become difficult.
b) **Clear-** Policy must be unambiguous. It should avoid use of jargons and connotations. There should be no misunderstandings in following the policy.
c) **Reliable/Uniform-** Policy must be uniform enough so that it can be efficiently followed by the subordinates.
d) **Appropriate-** Policy should be appropriate to the present organizational goal.
e) **Simple-** A policy should be simple and easily understood by all in the organization.
f) **Inclusive/Comprehensive-** In order to have a wide scope, a policy must be comprehensive.

g) **Flexible-** Policy should be flexible in operation/application. This does not imply that a policy should be altered always, but it should be wide in scope so as to ensure that the line managers use them in repetitive/routine scenarios.
h) **Stable-** Policy should be stable else it will lead to indecisiveness and uncertainty in minds of those who look into it for guidance.

Evolution of business policy:

Business policy as a distinct field of study was introduced at Harvard Business School way back in 1911. The course aimed at improving the general management capabilities of students. It was intended to tie together and give proper focus to the first year courses by showing how the functions of business both internally and as between businesses, were closely interrelated in practice and how a chief executive had to recognize and deal with those relationships. The course, however received widespread acceptance only after the publication of two reports in 1959.

The Gordon and Howell report, sponsored by the Ford Foundation predicted that a course on business policy would give students an opportunity to put together what they have learned in the separate business fields and utilize this knowledge in the analysis of complex business problems. The Pierson report, sponsored by the Carnegie Foundation also recommended the introduction of the course strongly. Following these reports the business policy course was made mandatory in all business schools in the US for the purpose of recognition. In the course of time the course gained popularity in business schools in other parts of the world as well. It is being increasingly viewed as an integrative course offered to students after completing as set of functional area courses in Finance, Marketing, and Accounting etc.

Development of course contents:

In the days gone by academicians viewed future as a moving target, difficult to capture analyze and interpret with a certain degree of confidence. So they pinned their hopes primarily on short term planning tools. Around 1930s systematic attempts were made to go deep into future and prepare the organizations for likely changes in future. Budget control systems management by objectives and capital budgeting techniques were pressed into service with a view to predict future impacts based on current trends. These techniques unfortunately failed to capture the essence of future conditions in an appropriate way.

Long range planning was used to remedy the situation. Corporate plans, prepared by people at various levels based on current practices and likely changes in future, were often pushed upwards for approval by top management. Top management’s participation in such lopsided exercises was minimal and there was always the danger of the recommendations not being followed. This process is called as first generation planning. First generation planning puts lot of emphasis on picking up an appropriate course of action (generally a single plan) based on environmental challenges and organizational strengths and weaknesses. Then came the second generation planning in the form of strategic management which came to occupy the center stage in the business world, emphasizing interaction by managers at all levels of the organizational hierarchy in planning and implementation. Hofer called this evolution a paradigm shift.

They have summarized the developments in this regard thus:

First Phase: Paradigm of Adhoc Policy (till mid 1930s): Adhoc policy making necessitated by the expansion of American firms in terms of product markets and customers and the consequent need to replace informal controls and coordination by farming functional policies to guide managers.
Second Phase: Paradigm of planned Policy (1930s – 1940s): Replacement of adhoc policy making by planned policy formulation and shifting attention towards integration of functional areas, in line with environmental requirements.
Third Phase Strategy Paradigm (1960s): Rapid force of environmental changes and increasing complexity of managerial functions demanding a critical look at the concept of business in relation to its environment hence the need for strategic decisions.
Fourth Phase: Paradigm of Strategic Management (1980s): Shifting of focus to the strategic management process and the responsibility of general management in resolving strategic issues.

The central **difference between strategic management** and **business** policies is that **strategic management** is a system that helps guide and direct a firm, while policies, on the other hand, are merely rules to be followed.

Comparison Chart

BASIS FOR COMPARISON	STRATEGY	POLICY
Meaning	Strategy is a comprehensive plan, made to accomplish the organizational goals.	Policy is the guiding principle that helps the organization to take logical decisions.
What is it?	Action plan	Action principle
Nature	Flexible	Fixed, but they allow exceptional situations
Related to	Organizational moves and decisions for the situations which have not been encountered previously.	Organizational rules for the activities which are repetitive in nature.
Orientation	Action	Thought and Decision
Formulation	Top Level Management and Middle Level Management	Top Level Management
Approach	Extroverted	Introverted
Describes	Methodology used to achieve the target.	What should be done and what should not be done.

Corporate Governance – concept:

Corporate governance refers to the accountability of the Board of Directors to all stakeholders of the corporation i.e. shareholders, employees, suppliers, customers and society in general towards giving the corporation a fair, efficient and transparent administration.

Following are cited a few popular definitions of corporate governance:

"Corporate governance means that company managers its business in a manner that is accountable and responsible to the shareholders. In a wider interpretation, corporate governance includes company's accountability to shareholders and other stakeholders such as employees, suppliers, customers and local community." – Catherwood.

"Corporate governance is the system by which companies are directed and controlled." – The Cadbury Committee (U.K.) Firms at global level recognizing that better corporate governance adds substantial value to their operational performance in the following ways:

- It improves strategic thinking at the top by inducting independent directors who bring a wealth of experience, and a host of new ideas.
- It justifies the management and monitoring of risk that a firm faces globally.
- It limits the responsibility of senior management and directors, by carefully articulating the decision making process
- It assures the integrity of financial reports.
- It has long term reputational effects among main stakeholders, both internally and externally.

Need for Corporate Governance:

a) **Wide Spread of Shareholders:** Today a company has a very large number of shareholders spread all over the nation and even the world; and a majority of shareholders being unorganized and having an indifferent attitude towards corporate affairs. The idea of shareholders' democracy remains confined only to the law and the Articles of Association; which requires a practical implementation through a code of conduct of corporate governance.
b) **Changing Ownership Structure:** The pattern of corporate ownership has changed considerably, in the present-day-times; with institutional investors (foreign as well Indian) and mutual funds becoming largest shareholders in large corporate private sector. These investors have become the greatest challenge to corporate managements, forcing the latter to abide by some established code of corporate governance to build up its image in society.
c) **Corporate Scams or Scandals:** Corporate scams (or frauds) in the recent years of the past have shaken public confidence in corporate management. The event of Harshad Mehta scandal, which is perhaps, one biggest scandal, is in the heart and mind of all, connected with corporate shareholding or otherwise being educated and socially conscious.

d) **Greater Expectations of Society of the Corporate Sector:** Society of today holds greater expectations of the corporate sector in terms of reasonable price, better quality, pollution control, best utilization of resources etc. To meet social expectations, there is a need for a code of corporate governance, for the best management of company in economic and social terms.
e) **Hostile Take-Overs:** Hostile take-overs of corporations witnessed in several countries, put a question mark on the efficiency of managements of take-over companies. This factor also points out to the need for corporate governance, in the form of an efficient code of conduct for corporate managements.
f) **Huge Increase in Top Management Compensation:** It has been observed in both developing and developed economies that there has been a great increase in the monetary payments (compensation) packages of top level corporate executives. There is no justification for exorbitant payments to top ranking managers, out of corporate funds, which are a property of shareholders and society.
g) **Globalization:** Desire of more and more Indian companies to get listed on international stock exchanges also focuses on a need for corporate governance. In fact, corporate governance has become a buzzword in the corporate sector. There is no doubt that international capital market recognizes only companies well-managed according to standard codes of corporate governance.

Objectives of corporate governance:

The fundamental objective of corporate governance is to boost and maximize shareholder value and protect the interest of other stake holders. World Bank described Corporate Governance as blend of law, regulation and appropriate voluntary private sector practices which enables the firm to attract financial and human capital to perform efficiently, prepare it by generating long term economic value for its shareholders, while respecting the interests of stakeholders and society as a whole. Corporate governance has various objectives to strengthen investor's confidence and intern leads to fast growth and profits of companies. These are mentioned below:

a) A properly structured Board proficient of taking independent and objective decisions is in place at the helm of affairs.
b) The Board is balanced as regards the representation of suitable number of non-executive and independent directors who will take care of the interests and well-being of all the stakeholders.
c) The Board accepts transparent procedures and practices and arrives at decisions on the strength of adequate information.
d) The Board has an effective mechanism to understand the concerns of stakeholders.
e) The Board keeps the shareholders informed of relevant developments impacting the company.
f) The Board effectively and regularly monitors the functioning of the management team.
g) The Board remains in effective control of the affairs of the company at all times.

Elements of good Corporate Governance:

It has been established in various management reports that aspects of good corporate governance comprise of transparency of corporate structures and operations, the accountability of managers and the boards to shareholders, and corporate responsibility towards stakeholders.

While corporate governance basically lays down the framework for creating long-term confidence between companies and the external providers of capital.
There are numerous elements of corporate governance which are mentioned below:

a) Transparency in Board's processes and independence in the functioning of Boards. The Board should provide effective leadership to the company and management to realize sustained prosperity for all stakeholders. It should provide independent judgment for achieving company's objectives.
b) Accountability to stakeholders with a view to serve the stakeholders and account to them at regular intervals for actions taken, through strong and sustained communication processes.
c) Impartiality to all stakeholders.
d) Social, regulatory and environmental concerns.
e) Clear and explicit legislation and regulations are fundamentals to effective corporate governance.
f) Good management environment that includes setting up of clear objectives and suitable ethical framework, establishing due processes, clear enunciation of responsibility and accountability, sound business planning, establishing clear boundaries for acceptable behavior, establishing performance evaluation measures.
g) Explicitly approved norms of ethical practices and code of conduct are communicated to all the stakeholders, which should be clearly understood and followed by each member of the organization.
h) The objectives of the corporation must be clearly recognized in a long-term corporate strategy including an annual business plan along with achievable and measurable performance targets and milestones.
i) A well composed Audit Committee to work as liaison with the management, internal and statutory auditors, reviewing the adequacy of internal control and compliance with significant policies and procedures, reporting to the Board on the key issues.
j) Risk is an important component of corporate functioning and governance, which should be clearly acknowledged, analyzed for taking appropriate corrective measures. In order to deal with such situation, Board should formulate a mechanism for periodic reviews of internal and external risks.
k) A clear Whistle Blower Policy whereby the employees may without fear report to the management about unprincipled behavior, actual or suspected frauds or violation of company's code of conduct. There should be some mechanism for adequate safeguard to personnel against victimization that serves as whistle-blowers.

EU Corporate Governance Legislation/Regulation:

In the late 1900s and early 2000s, The European Union specialists tended to encourage member states to develop their own Corporate Governance standards and regulatory instruments, rather than intercede directly or produce mandatory standards.

Differences in national corporate laws - especially concerning company incorporation and investors are naturally difficulties to the development of Europe-wide Corporate Governance rules. Various laws, codes, and institutional bodies became established across Europe on an individual nation basis to address Corporate Governance. These instruments continued to be refined through the 2010s and will extend to 2020s, until standards of Corporate Governance, and mechanisms for compliance/monitoring/remedial action, are established effectively in response to the challenging dynamics of globalized commerce. The inability through the 2010s of international governments to counter large-scale corporate tax avoidance accounting schemes is a prime example of how globalized business is several steps ahead of globalized regulatory control. During the early 2000s and 2010s, EU commissioners began to produce reports, codes, and guidelines aimed at influencing and coordinating corporate governance regulations and instruments at national level EU interest and (non-enforceable) guidance during this period focused primarily on:

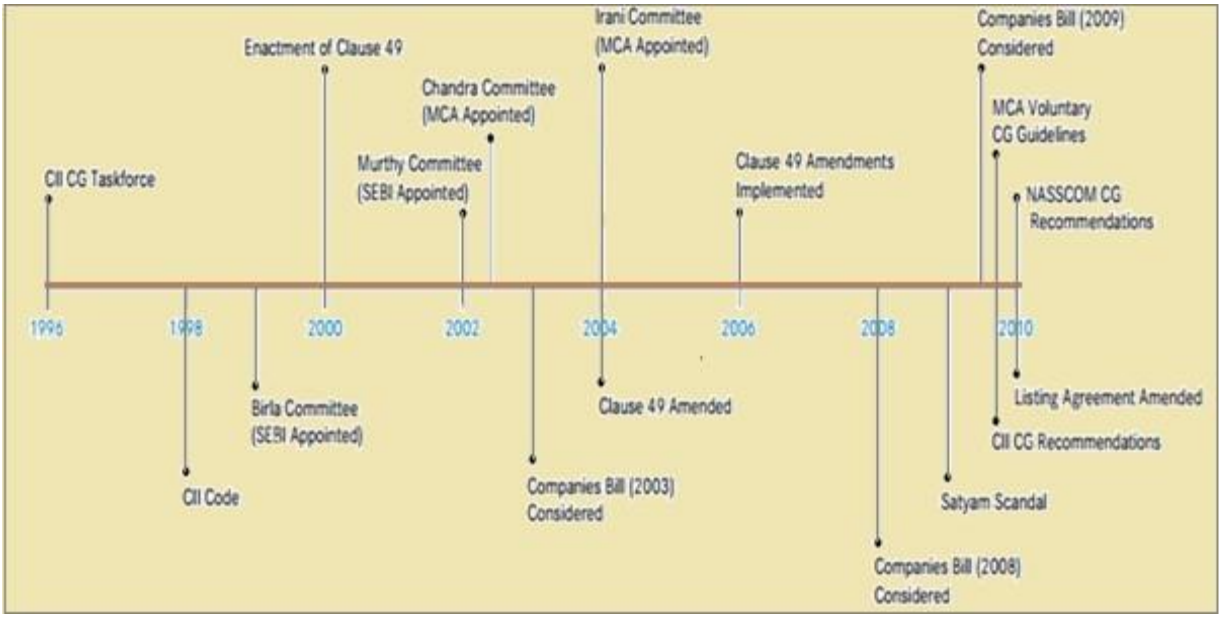
a) Directors' remuneration
b) Non-executive director's selection and appointment
c) Auditing
d) Corporations' commitment and adherence to transparent published statements of Corporate Governance

Review of corporate governance in India:

The notion of corporate governance has been incepted with major objective of significant disclosure of information to the shareholders. Since then, corporate governance has steered the Indian companies. As the time changed, there was also need for greater accountability of companies to their shareholders and customers. The report of Cadbury Committee on the financial aspects of corporate Governance in the U.K. has given rise to the discussion of Corporate Governance in India. Corporate governance has been since olden times but it was in different form. During Vedic times, kings used to have their ministers and used to have ethics, values, principles and laws to run their state but today it is in the form corporate governance having same rules, laws, ethics, values, and morals which helps in running corporate bodies in the more effective ways so that they in the age of globalization become global giants.

There have been numerous corporate governance initiatives launched in India since the mid-1990s. The first was by the Confederation of Indian Industry (CII), India's major industry and business association, which emerged with the first voluntary code of corporate governance in 1998. The second was by the SEBI, now enshrined as Clause 49 of the listing agreement. SEBI in 2000 introduced unparalleled corporate governance reforms via Clause 49 of the Listing Agreement of Stock Exchanges. Clause 49, a seminal event in Indian corporate governance, established a number of governance requirements for listed companies with a focus on the role and structure of corporate boards, internal controls and disclosure to shareholders. The third was the Naresh Chandra Committee, which submitted its report in 2002. The fourth was again by SEBI the Narayana Murthy Committee, which also submitted its report in 2002.

Corporate Governance Development in India: A Timeline



India's corporate governance reform efforts did not stop after implementation of Clause 49. In January 2009, the Indian corporate community was astounded by enormous accounting scandal involving Satyam Computer Services (Satyam), one of India's largest information technology companies. As a result of the scandal, Indian regulators and industry groups have promoted for a number of corporate governance reforms to address some of the concerns raised by the Satyam scandal. Some of these responses have moved forward, mainly through introduction of voluntary guidelines by both public and private institutions.

Generally, India's corporate governance transformation efforts reflect the following:

1. Significant industry involvement in assisting the government with crafting corporate governance measures.
2. Substantial focus to enhance the function and structure of company boards, including (i) emphasis on the independence of the board of directors, and (ii) an increased role for audit committees.
3. Noteworthy increase in disclosure to public shareholders.

Several Indian Companies such as PepsiCo, Infuses, Tata, Wipro, TCS, and Reliance are some of the global giants which have their flag of success flying high in the sky due to good corporate governance.

Importance of corporate governance:

The Organization for Economic Cooperation and Development (OECD) highlights the significance of good corporate governance in the global and domestic economic environment. According to OECD, if countries are to reap the full benefits of the global capital market, and if they are to attract long-term “patient” capital, corporate governance arrangements must be credible and well understood across borders. Even if companies do not rely primarily on foreign sources of capital, adherence to good corporate governance practices will help to improve the confidence of domestic investors, may reduce the cost of capital, and ultimately induce more stable sources of financing (Principles of Corporate Governance, 1990).

There are number of important issues in corporate governance. All the issues are inter related and

interdependent to deal with each other. Each issues linked with corporate governance have different have priorities in each of the corporate bodies. The issues are mentioned below:

a) **Value based corporate culture:** For smooth operation of any firm, it is necessary to develop certain ethics, values. Long run business needs to have value based corporate culture. Value based corporate culture is good practice for corporate governance. It is a set of ethics, principles which are inviolable.
b) **Holistic view:** This holistic view is religious outlook which helps for effective operation of organization. It is not easier to adopt it, it needs special efforts and once adopted it leads to developing qualities of nobility, tolerance and empathy.
c) **Compliance with laws:** Those companies which really need advancement, have high ethical values and need to run long run business they abide and comply with laws of Securities Exchange Board Of India (SEBI), Foreign Exchange Regulation Act, Competition Act 2002, Cyber Laws, Banking Laws.
d) **Disclosure, transparency, and accountability:** Disclosure, transparency and accountability are important feature for good governance. Timely and accurate information should be disclosed on the matters like the financial position, performance. Transparency is needed in order that government has faith in corporate bodies. Transparency is needed towards corporate bodies so that due to tremendous competition in the market place the customers having choices don't shift to other corporate bodies.
e) **Corporate Governance and Human Resource Management:** In corporate culture, employees are vital for success of firms. Every individual should be treated with individual respect, his achievements should be recognized. Each individual staff and employee should be given best opportunities to prove their worth and these can be done by Human Resource Department. Thus in Corporate Governance, Human Resource has a great role.
f) **Innovation:** Every corporate body must involve in innovation practices i.e. innovation in products, in services and it plays a critical role in corporate governance.
g) **Necessity of Judicial Reform:** There is requirement of judicial reform for a good economy and also in today's varying time of globalization and liberalization. Judicial system of India though having performed salutary role all these years, certainly are becoming obsolete and outdated over the years. The delay in judiciary is due to several interests involved in it. But then with changing scenario and fast growing competition, the judiciary needs to bring improvements accordingly. It needs to promptly resolve disputes in cost effective manner.
h) **Globalization helping Indian Companies to become global giants based on good governance:** In today's competitive environment and due to globalization, several Indian Corporate bodies are becoming global companies which are possible only due to good corporate governance.
i) **Lessons from Corporate Failure:** Corporate bodies have certain policies which if goes as a failure they need to learn from it. Failure can be both internal as well as external whatever it may be, in good governance, corporate bodies need to learn from their failures and need to move to the path of success.

To summarize, corporate governance encompasses systems and procedures designed to structure authority, balance responsibility and provide accountability to stakeholders at all levels.

Fundamentally, corporate governance is about harmonizing success with sustainability. Management literature have shown that corporate Governance is a set of ideas, innovation, creativity, thinking having certain ethics, values, principles which gives direction and shape to its people, personnel and possessors of companies and help them to succeed in global market.

Strategic Management – concept:

Strategic Management is a stream of decisions and actions which lead to the development of an effective strategy or strategies to help achieve corporate objectives. The Strategic Management process is the way in which strategists determine objectives and make strategic decisions. Strategic Management can be found in various types of organizations, business, service, cooperative, government, and the like.

Strategic Management can be defined as "the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives". In fact, Strategic Management focuses on integrating management, marketing, finance/accounting, production/operations, research and development, and computer information systems to achieve organizational success.

Schendel and Hofer (1979) – Strategic management is a process that deals with the entrepreneurial work of the organization, with organizational renewal and growth, and, more particularly, with developing and utilizing the strategy which is to guide the organization's operations.

Some important objectives of strategic management are as follows:

a) To exploit and create new and different opportunities for tomorrow.
b) To provide the conceptual frameworks that will help a manager understand the key relationships among actions, context, and performance.
c) To put an organization into a competitive position.
d) To sustain and improve that position by the deployment and acquisition of appropriate resources and by monitoring and responding to environmental changes.
e) To monitor and respond to the demands of key stakeholders.
f) To find, attract, and keep customers.

Nature of strategic management specifies its characteristics which are as follows:

a) Strategic Management as a Process
b) Top Management Function
c) General Management Approach
d) Relating Organization to Environment
e) Long-Term Issues
f) Flexibility
g) Innovation

Strategic Management – Importance:

a) It helps the organization to be more proactive instead of reactive in shaping its future. Organizations are able to analyze and take action instead of being mere spectators.
b) It provides framework for all the major business decisions of an enterprise such as – decisions on businesses, products, and markets, manufacturing facilities, investments and organizational structure.

c) It seeks to prepare the corporation to face the future and acts as a pathfinder to various business opportunities. Organizations are enabled to identify the available opportunities and identify ways and means to reach them.
d) It helps organizations to avoid costly mistakes in product market choices or investments.
e) It helps organizations to evolve certain core competencies and competitive advantages that assist in their fight for survival and growth.
f) Strategic management looks at the threats present in the external environment and thus companies can either work to get rid of them or else neutralizes the threats in such a way that they become an opportunity for their success.
g) It also adds to the reputation of the organizations because of the consistency that results from organizational success.

What is strategic competitive advantage?

It is a truism that strategic management is all about gaining and maintaining competitive advantage. The term can be defined to mean “anything that a firm does especially well when compared with rival firms”. Note the emphasis on comparison with rival firms as competitive advantage is all about how best to best the rivals and stay competitive in the market.

Competitive advantage accrues to a firm when it does something that the rivals cannot do or owns something that the rival firms desire. For instance, for some firms, competitive advantage in these recessionary times can mean a hoard of cash where it can buy out struggling firms and increase its strategic position. In other cases, competitive advantage can mean that a firm has lesser-fixed assets when compared to rival firms, which is again a plus in an economic downturn.

However, a firm can have a source of competitive advantage for only a certain period because the rival firms imitate and copy the successful firms’ strategies leading to the original firm losing its source of competitive advantage over the longer term. Hence, it is imperative for firms to develop and nurture sustained competitive advantage.

This can be done by:

- Continually adapting to the changing external business landscape and matching internal strengths and capabilities by channeling resources and competencies in a fluid manner.
- By formulating, implementing, and evaluating strategies in an effective manner which make use of the factors described above.

Strategic planning and decisions:

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy. The five stages of the process are goal-setting, analysis, strategy formation, strategy implementation and strategy monitoring.

a) Clarify Your Vision. The purpose of goal-setting is to clarify the vision for your business.
b) Gather and Analyze Information.
c) Formulate a Strategy.
d) Implement Your Strategy.
e) Evaluate and Control.

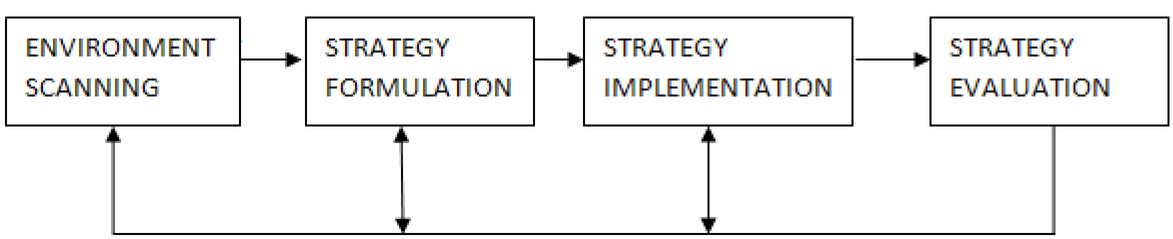
Strategic management process:

The strategic management process means defining the organization's strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance. Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet the entire present and future competitor's and then reassesses each strategy.

Strategic management process has following four steps:

1. **Environmental Scanning-** Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes. It helps in analyzing the internal and external factors influencing an organization. After executing the environmental analysis process, management should evaluate it on a continuous basis and strive to improve it.
2. **Strategy Formulation-** Strategy formulation is the process of deciding best course of action for accomplishing organizational objectives and hence achieving organizational purpose. After conducting environment scanning, managers formulate corporate, business and functional strategies.
3. **Strategy Implementation-** Strategy implementation implies making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and managing human resources.
4. **Strategy Evaluation-** Strategy evaluation is the final step of strategy management process. The key strategy evaluation activities are: appraising internal and external factors that are the root of present strategies, measuring performance, and taking remedial / corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

These components are steps that are carried, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.



Components of Strategic Management Process

Strategic management is an ongoing process. Therefore, it must be realized that each component interacts with the other components and that this interaction often happens in chorus.

Strategic Management – Levels:

In a multi-business enterprise, having several SBUs, there would be three levels of strategy, viz., – corporate strategy, SBU strategy and functional strategy. In enterprises which do not have SBUs, there will be only two levels of strategy, i.e., corporate strategy and functional strategies.

a) **Corporate Strategy:** Corporate strategy is the long-term strategy encompassing the entire organization. Corporate strategy addresses fundamental questions such as what is the purpose of the enterprise, what business/businesses it wants to be in (portfolio strategy) and how to expand/get into such business/businesses (for example – by establishing greenfield enterprises or by M&As). Corporate strategy is formulated by the top level corporate management (board of directors, CEO, and chiefs of functional areas).

b) **SBU Strategy:** SBU-level strategy, sometimes called Business Strategy or Competitive Strategy, is concerned with decisions pertaining to the product mix, market segments and manoeuvring competitive advantages for the SBU. While corporate strategy decides the business portfolio (i.e., the types of business), the competitive strategy decides the strategy/strategies to succeed in the chosen business/businesses. SBU strategy has to conform, obviously, to the corporate philosophy and strategy. In short, "the SBU-level strategic management is the management of an SBU's effort to compete effectively in a particular line of business and to contribute to overall organizational purposes."

c) **Functional Strategies:** Functional-level strategies are strategies for different functional areas like production, finance, personnel, marketing, etc. In other words, "functional- level strategic management is the management of relatively narrow areas of activity, which are of vital, pervasive, or continuing importance to the total organization." Functional-level strategy is the responsibility of functional area heads.

Strategic direction includes the plans and actions that need to be put in place to work toward this vision of the future for the organization. A successful change will involve communicating and repeating mission and vision statements, which helps prevent people from becoming discouraged in the event of small failures along the way. Leaders should continue to highlight the strengths of the strategic plan and involve important stakeholders in the process. Engaging employees and volunteers will help them to recognize and take ownership of the change. Involving employees also helps to provide more minds to prevent possible problems.

Examples to Consider

Many companies have vision and mission statements that don't serve them well. Still, there are companies with outstanding statements. LinkedIn is a good example:

- Vision: To create economic opportunity for every member of the global workforce.
- Mission: To connect the world's professionals to make them more productive and successful.

Notice how LinkedIn's vision statement refers to "every member of the global workforce." That's a huge goal that won't be accomplished in the near future. But it is inspiring and makes employees want to achieve it. The mission statement, on the other hand, is achievable. By connecting professionals, they give them the contacts they need to make them more productive and successful.

QUESTION BANK

UNIT – I

S.No	PART – A	CO	Blooms level
1	Define Business Policy.	CO1	1
2	Write short note on strategy.	CO1	1
3	Explain vision and mission statement.	CO1	1
4	Bring out the types of objectives.	CO1	2
5	Distinguish between policy and strategy.	CO1	1
6	List out the objectives of business.	CO1	1
7	Recall few points about goals and objectives.	CO1	1
8	Write a note on policy.	CO1	1
9	Explain the nature of managerial functions in policies.	CO1	1
10	Difference between policy and procedure.	CO1	2
11	Describe about Corporate Governance Definition.	CO1	1

S.No	PART – B	CO	Blooms level
1	Highlight the features of Business Policy.	CO1	4
2	Discuss the evolution of business policy.	CO1	5
3	Differentiate between strategic management and business policies.	CO1	5
4	Explain the need for Corporate Governance.	CO1	4
5	List out and explain the elements of good Corporate Governance.	CO1	5
6	Discuss the importance of corporate governance.	CO1	5
7	Elucidate why strategic management is important.	CO1	4
8	Explain about strategic competitive advantage.	CO1	6
9	Draw and explain the strategic management process.	CO1	5
10	Discuss the various levels of strategic management.	CO1	5
11	Differentiate mission and objectives of an organization. How do you formulate the goals of a manufacturing organization?	CO1	5

S.No	PART – C	CO	Blooms level
1	“The purpose of strategy is to define the nature of relationship between a firm and its environment”- elucidate.	CO1	4
2	“Business policy course is supposed to integrate the knowledge of different functional areas of management and to develop certain skills and attitudes to make long-term strategic decisions” – Narrate.	CO1	5
3	Distinguish between VlSION and MISSION statements. What is their importance in the strategic management process? Give examples of a few vision and mission statements.	CO1	5
4	Describe the process of strategic management. Draw showing comprehensively the different elements of management process.	CO1	4
5	Evaluate any vision and mission statements of any two different companies. Critically evaluate the statements with logical reasoning.	CO1	5
6	Illustrate how do you craft a strategy for competitive advantage? Give an instance.	CO1	5
7	Discuss the process of preparing a strategy for competitive advantage using core competence.	CO1	4
8	Corporate planning is not synonymous with long range planning." Why? Discuss.	CO1	6
9	Discuss the process of strategic management in detail delineating the levels at which the strategy operates.	CO1	5
10	Strategic intent is most vital step in strategic process. Critically examine.		5
11	Discuss the role of core competence while framing competitive strategies.	CO1	5
12	“Corporate Governance is not suitable for Indian Business environment” – Discuss.	CO1	5

TEXT/ REFERENCE BOOKS

- Pearce, Robinson and Mittal, “Strategic Management, Formulation, Implementation & Control”, McGraw Hill, 12th Edition.
- Wheelen and Hunger, “Concepts in Strategic Management & Business Policy”, Pearson, 13th Edition.
- Thomson, Strickland, Gamble & Jain, “Crafting & Executing Strategy, the Quest for Competitive Advantage”, McGraw Hill, 16th Edition.
- Kazmi, “Strategic Management and Business Policy”, McGraw Hill, 3rdEdition.
- Jauch, Glueck & Gupta, “Business Policy and Strategic Management”, Frank Brothers, 7th Edition.

SATHYABAMA
INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)
Accredited "A" Grade by NAAC | 12B Status by UGC | Approved by AICTE
www.sathyabama.ac.in

SCHOOL OF LAW

UNIT – II – BUSINESS POLICY AND STRATEGIC MANAGEMENT– SBA1402

UNIT 2 – STRATEGIC ANALYSIS MODELS AND TOOLS

External Environment- Appraisal using PESTEL – Competitor Analysis using Porter's 5-Forces model-Environmental Threat and Opportunity Profile (ETOP) -Value chain Analysis- Scanning Functional Resources and Capabilities for building Organization Capability Profile (OCP) SWOT Analysis.

Strategic Analysis – concept:

Strategic analysis refers to the process of conducting research on a company and its operating environment to formulate a strategy. The definition of strategic analysis may differ from an academic or business perspective, but the process involves several common factors:

1. Identifying and evaluating data relevant to the company's strategy
2. Defining the internal and external environments to be analyzed
3. Using several analytic methods such as Porter's five forces analysis, SWOT analysis, and value chain analysis

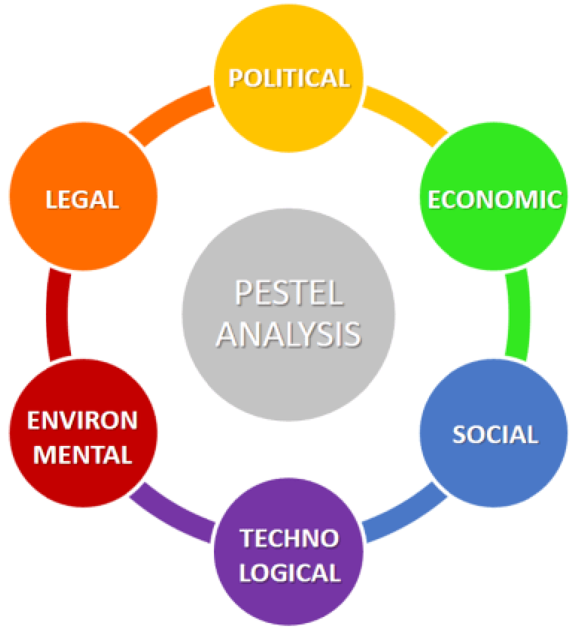
Strategic analysis helps to explore organizations growth options, addresses challenges within industry, and makes better corporate decisions. Strategy analysis is an approach to facilitating, researching, analyzing, and mapping an organization's abilities to achieve a future envisioned state based on present reality and often with consideration of the organization's processes, technologies, business development and people's capabilities.

Scanning the Environment: PESTEL Analysis

A PESTEL analysis or PESTLE analysis (formerly known as PEST analysis) is a framework or tool used to analyze and monitor the macro-environmental factors that may have a profound impact on an organization's performance. This tool is especially useful when starting a new business or entering a foreign market. PESTEL is an acronym that stands for Political, Economic, Social, Technological, Environmental and Legal factors. PEST or PESTEL analysis is a simple and effective tool used in situation analysis to identify the key external (macro environment level) forces that might affect an organization. These forces can create both opportunities and threats for an organization. Therefore, the aim of doing PEST is to:

- find out the current external factors affecting an organization;
- identify the external factors that may change in the future;
- to exploit the changes (opportunities) or defend against them (threats) better than competitors would do.

The outcome of PEST is an understanding of the overall picture surrounding the company. **Political Factors:** These factors are all about how and to what degree a government intervenes in the economy or a certain industry. Basically all the influences that a government has on your



business could be classified here. This can include government policy, political stability or instability, corruption, foreign trade policy, tax policy, labor law, environmental law and trade restrictions. Furthermore, the government may have a profound impact on a nation's education system, infrastructure and health regulations. These are all factors that need to be taken into account when assessing the attractiveness of a potential market.

Economic Factors: Economic factors are determinants of a certain economy's performance. Factors include economic growth, exchange rates, inflation rates, interest rates, disposable income of consumers and unemployment rates. These factors may have a direct or indirect long term impact on a company, since it affects the purchasing power of consumers and could possibly change demand/supply models in the economy. Consequently it also affects the way companies' price their products and services.

Social Factors: This dimension of the general environment represents the demographic characteristics, norms, customs and values of the population within which the organization operates. This includes population trends such as the population growth rate, age distribution, income distribution, career attitudes, safety emphasis, health consciousness, lifestyle attitudes and cultural barriers. These factors are especially important for marketers when targeting certain customers. In addition, it also says something about the local workforce and its willingness to work under certain conditions.

Technological Factors: These factors pertain to innovations in technology that may affect the operations of the industry and the market favorably or unfavorably. This refers to technology incentives, the level of innovation, automation, research and development (R&D) activity, technological change and the amount of technological awareness that a market possesses. These factors may influence decisions to enter or not enter certain industries, to launch or not launch certain products or to outsource production activities abroad. By knowing what is going on technology-wise, you may be able to prevent your company from spending a lot of money on developing a technology that would become obsolete very soon due to disruptive technological changes elsewhere.

Environmental Factors: Environmental factors have come to the forefront only relatively recently. They have become important due to the increasing scarcity of raw materials, pollution targets and carbon footprint targets set by governments. These factors include ecological and environmental aspects such as weather, climate, environmental offsets and climate change which may especially affect industries such as tourism, farming, agriculture and insurance. Furthermore, growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer. This has led to many companies getting more and more involved in practices such as corporate social responsibility (CSR) and sustainability.

Legal Factors: Although these factors may have some overlap with the political factors, they include more specific laws such as discrimination laws, antitrust laws, employment laws, consumer protection laws, copyright and patent laws, and health and safety laws. It is clear that companies need to know what is and what is not legal in order to trade successfully and ethically. If an organization trades globally this becomes especially tricky since each country has its own set of rules and regulations. In addition, you want to be aware of any potential changes in legislation and the impact it may have on your business in the future. Recommended is to have a legal advisor or attorney to help you with these kinds of things.

PEST analysis is also done to assess the potential of a new market. The general rule is that the more negative forces are affecting that market the harder it is to do business in it. The difficulties that will have to be dealt with significantly reduce profit potential and the firm can simply decide not to engage in any activity in that market.

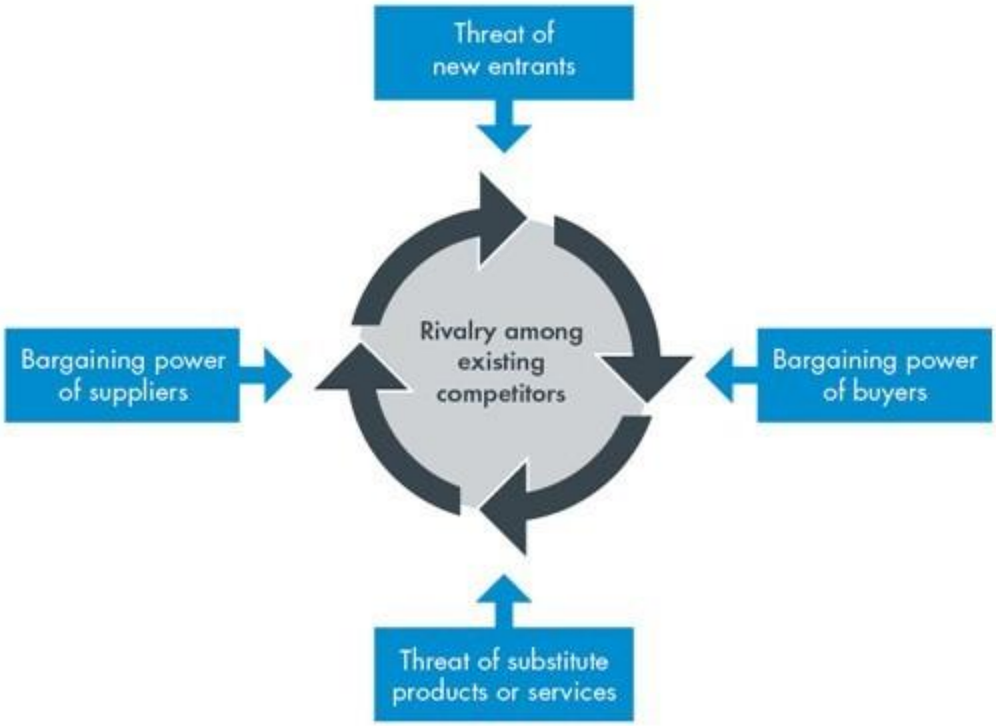
Porter's Five Forces of Competitive Position Analysis:

Porter's Five Forces of Competitive Position Analysis were developed in 1979 by Michael E Porter of Harvard Business School as a simple framework for assessing and evaluating the competitive strength and position of a business organization.

This theory is based on the concept that there are five forces that determine the competitive intensity and attractiveness of a market. Porter's five forces help to identify where power lies in a business situation. This is useful both in understanding the strength of an organization's current competitive position, and the strength of a position that an organization may look to move into.

Strategic analysts often use Porter's five forces to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes.

Porter's five forces of competitive position analysis:



The five forces are:

1. Supplier power. An assessment of how easy it is for suppliers to drive up prices. This is driven by the: number of suppliers of each essential input; uniqueness of their product or service; relative size and strength of the supplier; and cost of switching from one supplier to another.

2. Buyer power. An assessment of how easy it is for buyers to drive prices down. This is driven by the: number of buyers in the market; importance of each individual buyer to the organization; and cost to the buyer of switching from one supplier to another. If a business has just a few powerful buyers, they are often able to dictate terms.

3. Competitive rivalry. The main driver is the number and capability of competitors in the market. Many competitors, offering undifferentiated products and services, will reduce market attractiveness.

4. Threat of substitution. Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases. This reduces both the power of suppliers and the attractiveness of the market.

5. Threat of new entry. Profitable markets attract new entrants, which erodes profitability. Unless incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability will decline to a competitive rate.

Arguably, regulation, taxation and trade policies make government a sixth force for many industries. Five forces analysis helps organizations to understand the factors affecting profitability in a specific industry, and can help to inform decisions relating to: whether to enter a specific industry; whether to increase capacity in a specific industry; and developing competitive strategies.

Environment threat and opportunity profile:

It is a technique to structure the **environment** for fundamental business analysis. It was developed by glueck. ETOP is summarized depiction of the environmental actors and their impact on the organization. The preparation of ETOP involves dividing the environment into different sectors and then analyzing the impact of each factor of the organization. A detailed ETOP subdivides each environment sector into sub factor and then the impact of each sub factor on the organization and is described in a form of statement. A summary of ETOP shows only the major factors. ETOP is the most useful way of structuring the result of environmental analysis.

Environmental Factors	**Degree of Importance**			**Degree of Impact**		
	High(3)	**Medium(2)**	**Low(1)**	**High ±3**	**Medium ±2**	**Low ±1**
Economic						
Political – Legal						
Technological						
Socio-cultural						
Competitive						

The strategic managers should keep focus on the following dimensions,

1. Issue Selection: Focus on issues, which have been selected, should not be missed since there is a likelihood of arriving at incorrect priorities. Some of the impotent issues may be those related to market share, competitive pricing, customer preferences, technological changes, economic policies, competitive trends, etc.
2. Accuracy of Data: Data should be collected from good sources otherwise the entire process of environmental scanning may go waste. The relevance, importance, manageability, variability and low cost of data are some of the important factors, which must be kept in focus.
3. Impact Studies: Impact studies should be conducted focusing on the various opportunities and threats and the critical issues selected. It may include study of probable effects on the company's strengths and weaknesses, operating and remote environment, competitive position, accomplishment of mission and vision etc. Efforts should be taken to make assessments more objective wherever possible.
4. Flexibility in Operations: There are number of uncertainties exist in a business situation and so a company can be greatly benefited buy devising proactive and flexible strategies in their plans, structures, strategy etc. The optimum level of flexibility should be maintained.

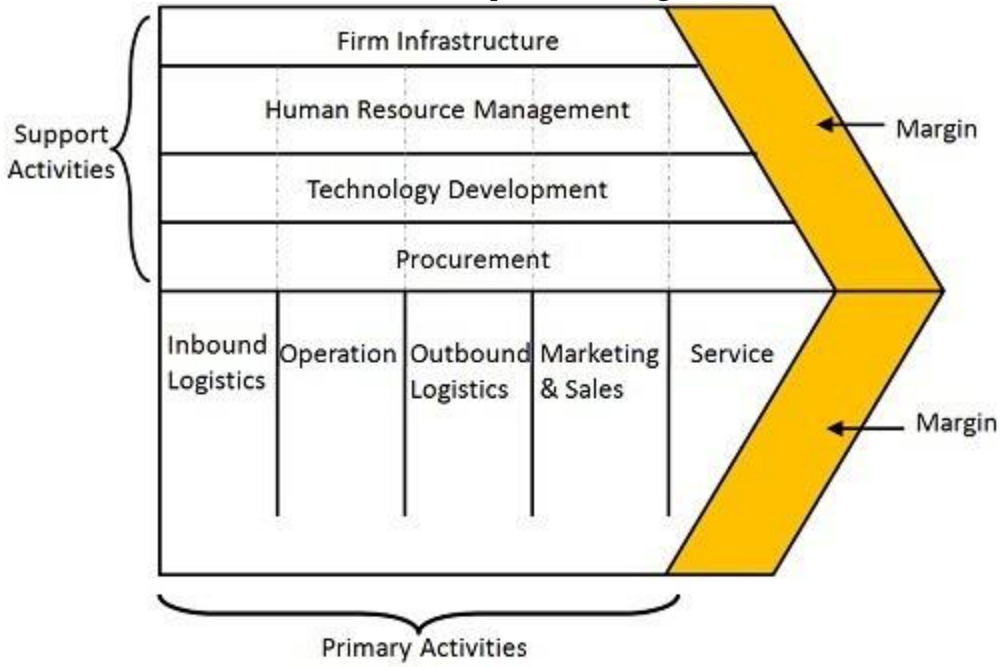
Some of the key elements for increasing the flexibility are as follows:

(a) The strategy for flexibility must be stated to enable managers adopts it during unique situations.
(b) Strategies must be reviewed and changed if required.
(c) Exceptions to decided strategies must be handled beforehand. This would enable managers to violate strategies when it is necessary.
(d) Flexibility may be quite costly for an organization in terms of changes and compressed plans; however, it is equally important for companies to meet urgent challenges.

Value Chain Analysis:

Value chain analysis is a process of dividing various activities of the business in primary and support activities and analyzing them, keeping in mind, their contribution towards value creation to the final product. And to do so, inputs consumed by the activity and outputs generated are studied, so as to decrease costs and increase differentiation.

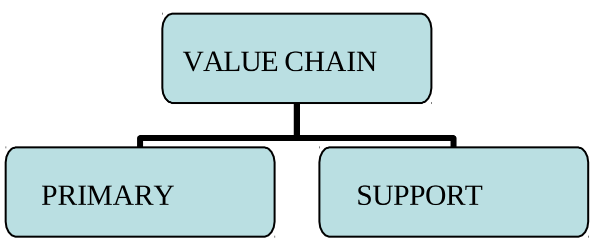
Value chain analysis is used as a tool for identifying activities, within and around the firm and relating these activities to an assessment of competitive strength.



As shown in the figure, Michael Porter classified the entire value chain into nine activities which are interrelated to one another. While primary activities include the activities that are performed to satisfy external demand, secondary activities are those which are performed to satisfy internal requirements.

Classification of Value Chain Analysis

Value Chain Analysis is grouped into primary or line activities, and support activities discussed as under:



1. **Primary Activities**: The functions which are directly concerned with the conversion of input into output and distribution activities are called primary activities. It includes:

    - **Inbound Logistics**: It includes a range of activities like receiving, storing, distributing, etc. which make available goods and services for operational processes. Some of those activities are material handling, transportation, stock control, etc.

- **Operations**: The activity of transforming input raw material to final product ready for sale, is termed as operation. Machining, assembling, packaging are the activities covered under operations.
- **Outbound Logistics:** As the name suggests, the activities that help in collecting, storage and delivering the product to the customer is outbound logistics.
- **Marketing and Sales**: All the activities like advertising, promotion, sales, marketing research, public relations, etc. performed to make the customer aware of the product or service and create demand for it, comes under marketing.
- **Service:** Service means service provided to the customer so as to improve or maintain the value of the product. It includes financing service, after-sales service and so on.

2. **Support Activities**: Those activities which assist primary activities in accomplishment are support activities. These are:

- **Procurement**: This activity serves the organization, by supplying all the necessary inputs like material, machinery or other consumable items, that required by the organization for performing primary activities.
- **Technology Development:** At present, technology development requires heavy investment, which takes years for research and development. However, its benefits can be enjoyed for several years and by a multitude of users in the organization.
- **Human Resource Management:** It is the most common plus important activity which excel all primary activities of the organization. It encompasses overseeing the selection, retention, promotion, transfer, appraisal and dismissal of staff.
- **Infrastructure:** This is the management system, which provides its services to the whole organization and includes planning, finance, information management, quality control, legal, government affairs, etc.

In the fast paced world, the main focus of the organization is customer satisfaction, and value chain analysis is the technique that helps to attain that level. Under this, each business activity is considered as essential, which contributes value and is constantly analyzed, to increase value as regards the cost incurred.

Organizational Capability Profile (OCP):

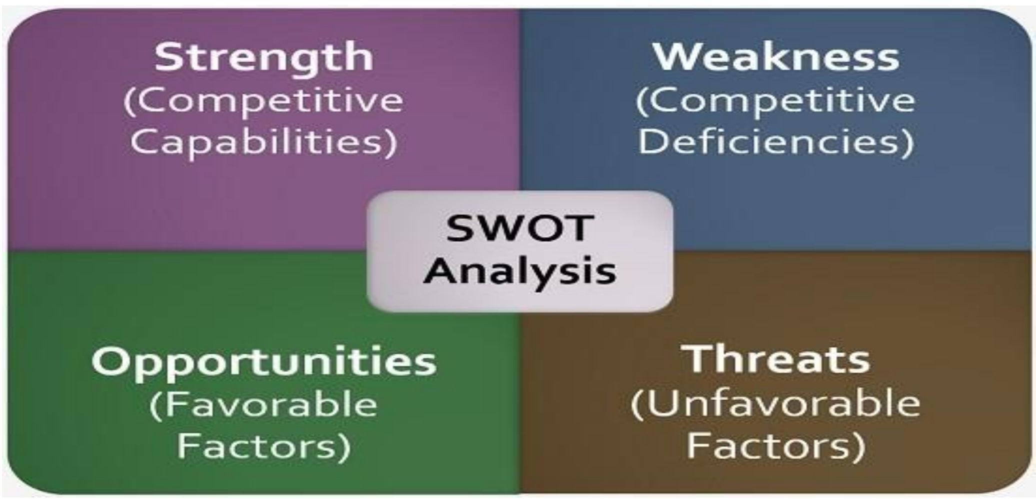
OCP is summarized statement which provides overview of strength and weakness in key result areas likely to affect future operation of the organization. Information in this profile may be presented in qualitative terms or quantitative terms. After the preparation of OCP, the organization is in a position to assess its relative strength and weaknesses through its competitors. If there is any gap in area, suitable action may be taken to overcome that.OCP shows the company's capacity. OCP tells about company's potential and capability. OCP tells what company can do.

The organizational capability profile is drawn in the form of a chart. The strategists are required to systematically assess the various functional areas and subjectively assign values to the different functional capability factors and sub factors along a scale ranging from values of -5 to +5.

Capability Factors	Weakness (-5)	Normal (0)	Strength (+5)
Financial	-5		
Technical		0	
Human Resource	-5		
Marketing			5
R&D		0	

SWOT Analysis:

SWOT Analysis is a strategic management tool that assists an enterprise in discerning their internal Strengths, and Weaknesses, and external Opportunities, and Threats, to determine its competitive position in the market. The SWOT Analysis helps in ascertaining the factors that influences the efficiency and effectiveness of any product, project, or business entity. These are explained as under:



Strengths: The strengths of a company are the core competencies, in which the business has an edge over its competitors. It covers aspects such as:

Strong financial condition

- A large customer base.
- Strong brand name or a unique product
- Latest technology or patents
- Influential advertising and promotion.
- Cost Advantage
- Quality in product and customer service.

Weaknesses: Weaknesses can be described as the areas of limitations of the business that hinders the growth of the company and even leads to a strategic disadvantage. These are the areas which need improvement to perform competitively. It encompasses:

- Obsolete facilities and outdated technology.
- The unit cost of a product is higher than the competitors.
- No or less internal control.
- Less quality in products and services offered.
- Weak brand image.
- Financial condition is not very sound.

- Underutilization of plant capacity.
- Lack of major skills or competencies, and intellectual capital.

Opportunities: Opportunities can be understood as the condition, which is favorable or beneficial to the organization in the business environment that the business could exploit to gain an advantage. These are:

- Looking for areas of development, by utilizing skills and technology to enter new markets
- Adding new products to the existing product line to increase customer base.
- Forward and backward integration.
- Acquiring rivals businesses.
- Joint ventures, mergers and alliances to increase market coverage.

Threats: Threat implies an adverse condition which can lead the business enterprise to losses, and can also harm the overall position and reputation of the enterprise. It entails:

- A downtrend in market growth.
- A new entrant to the market.
- Substitute products that can decrease sales.
- Increasing the bargaining power of customers and suppliers.
- New regulatory requirements
- Changes in a demographic environment that will decrease demand for firm's product.

Importance of SWOT Analysis:

- **Logical framework of analysis**: SWOT Analysis equips the management with an insightful framework for eliminating issues in a systematic manner that can influence the condition of business, formulation of various strategies and their selection.
- **Presents a comparative report:** The analysis facilitates in presenting systematic information about the internal and external environment. This helps in making a comparison of external opportunities and threats with internal strengths and weaknesses, as well as reconciling the internal and external business environment, to help the managers in choosing the best strategy, by considering various patterns.
- **Strategy Identification:** Every organization has its strengths weakness, opportunities and threats. So, the SWOT Analysis acts as a guide to the strategist to reckon the exact position, i.e. where the business stands, so as to identify the primary objective of the strategy under consideration.

SWOT Analysis helps the company's management in designing a business model specific to the firm. The model perfectly suits or aligns the company's resources or competencies, as per the needs of the business environment, wherein the organization operates and helps in gaining a competitive advantage over the rivals. This will increase the profitability, market share and the chances to survive in the dynamic competitive business environment.

UNIT – II – QUESTION BANK

S.No	PART – A	CO	Blooms level
1	What do you understand about business environment?	CO2	1
2	List out the factors affecting business environment?	CO2	1
3	Highlight the concept scanning internal environment.	CO2	1
4	Describe strategic analysis.	CO2	1
5	Abbreviate PESTLE.	CO2	1
6	Give some key elements of ETOP analysis.	CO2	2
7	Bring out the primary activity involved in value chain analysis.	CO2	2
8	Highlight the secondary activity in value chain analysis.	CO2	2
9	Explain OCP.	CO2	1
10	Expand SWOT.	CO2	1

S.No	PART – B	CO	Blooms level
1	Explain the external environmental analysis.	CO2	5
2	Elaborate PESTLE Analysis.	CO2	5
3	Discuss ETOP framework.	CO2	5
4	Discuss external environmental scanning techniques using an industry example.	CO2	6
5	Value chain analysis – illustrate.	CO2	5
6	What is the significance of SWOT analysis in strategy formulation?	CO2	5
7	What is the role of value chain analysis in internal appraisal?	CO2	6
8	Outline the Significance of Porter's Five Forces Analysis.	CO2	6
9	Enumerate Porter's five force model. Give an example.	CO2	5
10	Describe the determinants of national competitive advantage (Porter model).	CO2	5
11	Discuss the importance of SWOT analysis ETOP.	CO2	6

S.No	PART – C	CO	Blooms level
1	Discuss the frame work of industry analysis.	CO2	5
2	Internal appraisal is absolutely essential to determine the organizational strengths and weaknesses. Discuss.	CO2	5
3	Explain PESTEL framework and illustrate with suitable examples.	CO2	5
4	Describe Michael porter’s five forces model of Industry Analysis.	CO2	6
5	Explain how value chain analysis could help in organizational analysis.	CO2	5
6	According to Porter, what determines the level of competitive intensity in an industry?	CO2	5
7	Explain the role of Porter’s approach in industry analysis.	CO2	5
8	What is SWOT analysis? Explain the components of SWOT analysis.	CO2	6
9	Discuss Michael Porter’s analysis.	CO2	5
10	Explain about Organizational analysis, and the value chain analysis.	CO2	5
11	Explain the steps of industry life cycle analysis. Give an industry analysis report for consumer durable industry. Discuss five forces for the same industry.	CO2	5
12	The success of a strategy would depend upon the right environmental analysis. Do you agree? Discuss with examples.	CO2	6

TEXT/ REFERENCE BOOKS

- Pearce, Robinson and Mittal, “Strategic Management, Formulation, Implementation & Control”, McGraw Hill, 12th Edition.
- Wheelen and Hunger, “Concepts in Strategic Management & Business Policy”, Pearson, 13th Edition.
- Thomson, Strickland, Gamble & Jain, “Crafting & Executing Strategy, the Quest for Competitive Advantage”, McGraw Hill, 16th Edition.
- Kazmi, “Strategic Management and Business Policy”, McGraw Hill, 3rdEdition.
- Jauch, Glueck & Gupta, “Business Policy and Strategic Management”, Frank Brothers, 7th Edition.

SATHYABAMA
INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)
Accredited "A" Grade by NAAC | 12B Status by UGC | Approved by AICTE
www.sathyabama.ac.in

SCHOOL OF LAW

UNIT – III – BUSINESS POLICY AND STRATEGIC MANAGEMENT– SBA1402

UNIT 3 – STRATEGIC FORMULATION

Strategic alternatives at corporate level: concept of grand strategies – Strategic choice models – Strickland's Grand Strategy Selection Matrix- Model of Grand Strategy Clusters-BCG- GE Nine Cell Matrix -Strategic alternatives at business level: Michael Porter's Generic competitive strategies, Strategy as Simple Rules.

GRAND STRATEGIES - CONCEPT

The **Grand Strategies** are the corporate level strategies designed to identify the firm's choice with respect to the direction it follows to accomplish its set objectives. Simply, it involves the decision of choosing the long term plans from the set of available alternatives. The Grand Strategies are also called as **Master Strategies** or **Corporate Strategies**.

Strategic Choice:

Strategic Choice involves a whole process through which a decision is taken to choose a particular option from various alternatives. There can be various methods through which the final choice can be selected upon. Managers and decision makers keep both the external and internal environment in mind before narrowing it down to one.

Factors affecting strategic choice:

- Environmental constraints.
- Internal organizations and management power relationships.
- Values and preferences.
- Management`s attitude towards risk.
- Impact of past strategy.
- Time constraints- time pressure, frame horizon, timing of decision.
- Information constraints.
- Competitor's reaction.

STRICKLAND'S GRAND STRATEGY SELECTION MATRIX

The Grand Strategy Selection Matrix developed by Strickland is one helpful tool in the development of talent that is likely to overcome weaknesses, build on existing strengths, avert future threats & seize future opportunities. It is used in strategic business planning.

It focuses on two key issues:

1) Should strategists devote attention to overcoming present weakness or to building on present strengths?

2) Or it should strategists concentrate efforts inside the organization or outside it?

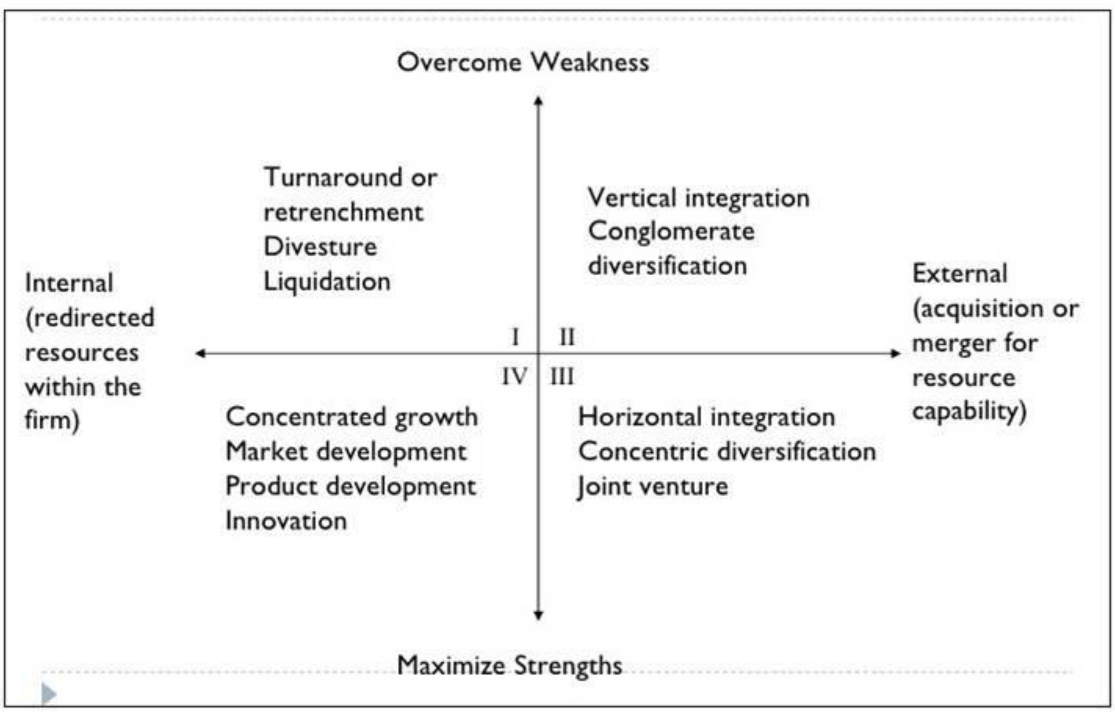
Each Alternative Grand strategy can be translated into talent development terminology.

The basic idea underlying the matrix is that two variables are of central concern in the strategy selection process:

1. The principal purpose of the grand strategy and

2. The choice of an internal or external emphasis for growth and/or profitability.

It is valuable to note, that even early approaches to strategy selection were based on matching a concern for internal versus external growth with a principal desire to overcome weakness or maximize strength. The same concerns led to the development of the Grand Strategy Selection Matrix.

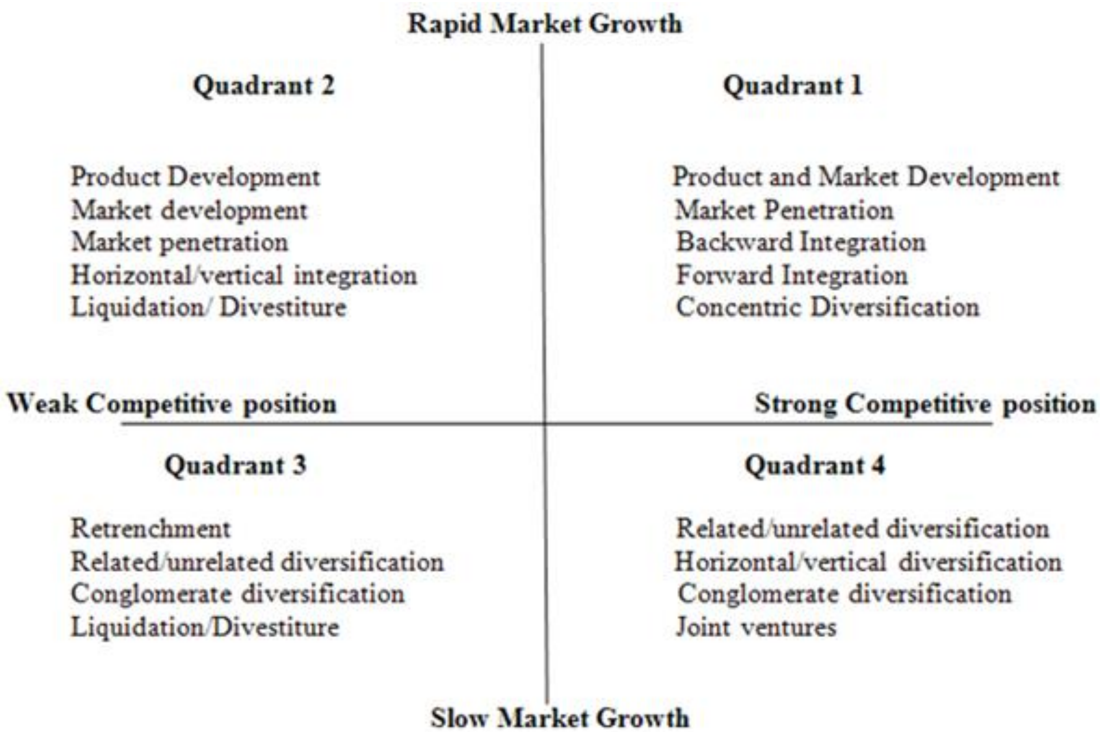


A firm in Quadrant I often views itself as overly committed to a particular business with limited growth opportunities or involving high risks because the company has "all its eggs in one basket". One reasonable solution is vertical integration, which enables the firm to reduce risk by reducing uncertainty either about inputs or about access to customers. Alternatively, a firm can choose conglomerate diversification, which provides profitable alternatives for investment without diverting management attention from the original business. However, the external orientation to overcoming weaknesses usually results in the most costly grand strategies. The decision to acquire a second business demands both large initial time investments and sizable financial resources. Thus, strategic managers considering these approaches must guard against exchanging one set of weaknesses for another. A more conservative approach to overcoming the weakness is found in

Quadrant II. Firms often choose to redirect resources from one business activity to another within the company. While this approach does not reduce the company's commitment to its basic mission, it does reward success and enables further development of proven competitive advantages. The least disruptive of the Quadrant II strategies is retrenchment, the pruning of the current business activities. If weaknesses arose from inefficiencies, retrenchment can actually serve as a turnaround strategy, meaning the business gains new strength by streamlining its operations and eliminating waste. However, when the weaknesses are a major obstruction to success in the industry, and when the costs of overcoming the weaknesses are unaffordable or are not justified by a cost benefit analysis, then eliminating the business must be considered. Divestiture offers the best possibility for recouping the company's investment, but even Liquidation can be an attractive option when the alternatives are an unwarranted drain on organizational resources or bankruptcy.

A common business adage states that a company should build from strength. The premise is that growth and survival depend on an ability to capture a market share that is large enough for essential economies of scale. If a firm believes profitability will derive from this approach and prefers an internal emphasis for maximizing strengths, four alternative grand strategies hold considerable promise. As shown in Quadrant III, the most common approach is concentration on the business, that is, market penetration. The business then selects this strategy is strongly committed to its current products and markets. It will strive to solidify its position by reinvesting resources to fortify its strength. Two alternative approaches are market development and product development. With either of these strategies the business attempts to broaden its operations. Market development is chosen if strategic managers feel that existing products would be well received by new customer groups. Product development is preferred when existing customers are believed to have an interest in products related to the firm's current lines. This approach may also be based on special technological or other competitive advantages. A final alternative for Quadrant III firms is innovation. When the business strength's are in creative product design or unique production technologies, sales can be stimulated by accelerating perceived obsolescence. This is the principle underlying an innovative grand strategy.

Maximizing a business's strength by aggressively expanding its basis of operations usually requires an emphasis in selecting grand strategy. Preferred options here are shown in Quadrant IV. Horizontal integration is attractive because it enables a firm to quickly increase output capability. The skills of the original business's managers are often critical in converting new facilities into profitable contributors to the parent company; this expands a fundamental competitive advantage of the firm-management. Concentric diversification is a good second choice for similar reasons. Because the original and newly acquired businesses are related, the distinctive competencies of the diversifying firm are likely to facilitate a smooth, synergistic, and profitable expansion. The final option for increasing resource capability through external emphasis is a joint venture. This alternative allows a business to extend its strengths into competitive arenas that it would be hesitant to enter alone. A partner's production, technological, financial, or marketing capabilities can significantly reduce financial investment and increase the profitability of success to the point that formidable ventures become attractive growth alternatives.



A business's situation is defined in terms of the growth rate of the general market and competitive position in that market. When these factors are considered simultaneously, a business can be broadly categorized into four quadrants: 1) Strong competitive position in a rapidly growing market, 2) Weak position in rapidly growing market, 3) Weak position in a slow-growth market, 4) Strong position in a slow-growth market. Each of these quadrants suggests a set of promising possibilities for selection of grand strategy.

Firms in **Quadrant I** are in an excellent strategic position. One obvious grand strategy for such firms is continued concentration on their current business as it is presently defined. Because consumers seem satisfied with the firm's current strategy, it would be dangerous to shift notably from the established competitive advantages. However, if the businesses have the resources that exceed the demands of the concentration strategy, it should consider vertical integration. Either forward or backward integration helps a business protect its profit margins and market share by ensuring better access to either consumers or material inputs. Finally quadrant I firm might be wise to consider concentric diversification to diminish the risks associated with a narrow product or service line; with this strategy, heavy investment in the company's basic area of proven ability continues.

Quadrant II: In a rapidly growing market, even a small or relatively weak business is often able to find a profitable niche. Thus, formulation or reformulation of a concentration strategy is usually the first option to consider. However, if the firm lacks either a critical competitive element or sufficient economies of scale to achieve competitive cost efficiencies, then a grand strategy that directs company efforts toward horizontal integration is often a desirable alternative. A final pair of option involves deciding to stop competing in the market or product area. A multiproduct firm may conclude that the goals of its mission are most likely to be achieved if this business is dropped through divestiture. Not only does this grand strategy eliminate a drain on resources, it may also provide additional funds to promote other business activities. As an option of last resort, a firm may decide to liquidate the business. In practical terms this means that the business cannot be sold as a going concern and is at best worth only the value of its tangible assets.

The decision to liquidate is an undeniable admission of failure by firm's strategic management and is thus often delayed – to the further detriment of the company. Strategic managers tend to resist divestiture because it is likely to jeopardize their control of the firm and perhaps even their jobs. By the time the desirability of divestiture is acknowledged, the business has often deteriorated to the point of failing to attract potential buyers as a business. The consequences of such delays are financially disastrous for the owners of the firm, because the value of a going concern is many times greater than simple asset value. Strategic managers who have business in the position of **Quadrant III** and feel that continued slow market growth and a relatively weak competitive position are going to continue will usually attempt to decrease their resource commitment to that business. Minimal withdrawal is accomplished through retrenchment; this strategy has the side benefits of making resources available for other investments and of motivating employees to increase their operating efficiency. An alternative strategy is to divert resources for expansion through investment in other businesses. This approach typically involves either concentric or conglomerate diversification, because the firm usually wants to enter more promising arenas of competition than firms of integration or development would allow. The final options for quadrant III businesses are divestiture, if an optimistic buyer can be found, and liquidation.

Quadrant IV businesses have a basis of strength from which to diversify into more promising growth areas. These businesses have characteristically high cash flow levels and limited internal growth needs. Thus, they are in an excellent position for concentric diversification into ventures that utilize their proven business acumen. A second choice is conglomerate diversification, which spreads investment risk and does not divert managerial attention from the present business. The final option is joint ventures, which are especially attractive to multinational firms. Through joint venture a domestic business can gain competitive advantages in promising new fields while exposing itself to limited risks.

Grand strategy clusters are a **model** that focuses on each **strategy** as it would work within the **strategic** plans of a company. These **strategies** then are clustered to shape the business direction and focus on the long term goals of the company.

BCG matrix is a matrix used by large corporations to decide the ratio in which resources are allocated among various business segments. Similar to this, **GE matrix** also helps firms decide their strategy with respect to different product lines, i.e. the product they should add in the range of products offered by them and in which opportunity the firm should invest.

Both BCG matrix and GE matrix are two-dimensional models, which are used by big business houses, having several product lines and business units. The latter was developed as an improvement over the former, and so overcomes many limitations.

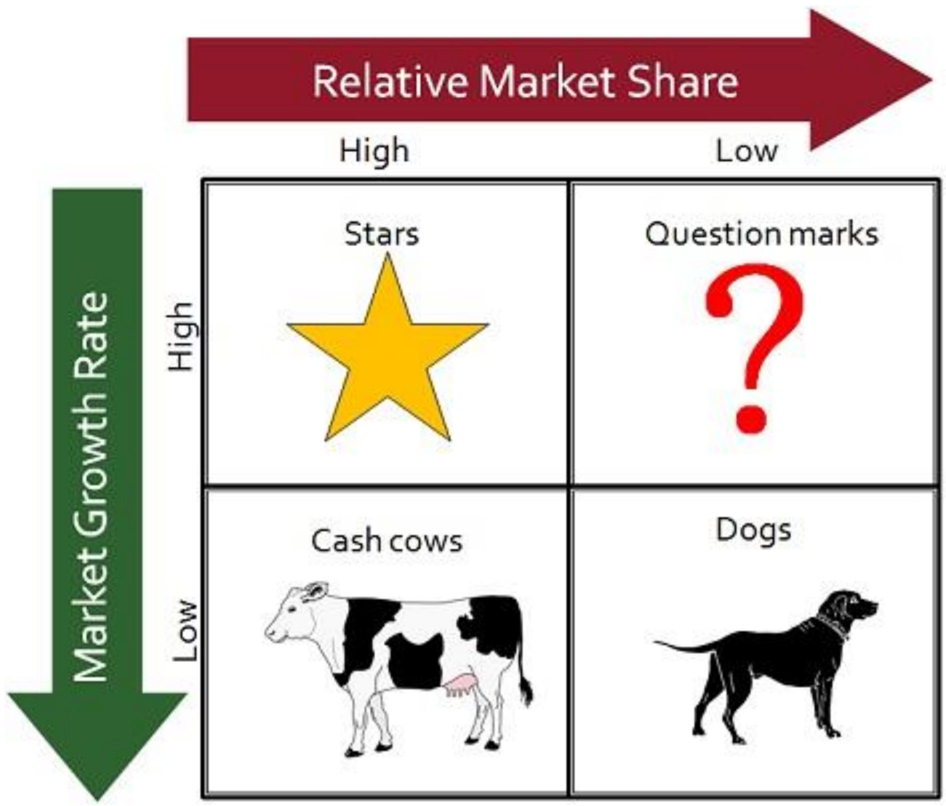
Definition of BCG Matrix

BCG Matrix or otherwise known as **Boston Consulting Group growth share matrix** is used to represent the company's investment portfolio.

Large corporations usually face problems in allocating resources amongst various units and product lines. To cope with this problem, **in 1970, Bruce Henderson** designed a matrix for the Group called as BCG matrix. It is based on two factors which are:

- The growth rate of the product-market.
- Market share held by the company in the respective market, in comparison to its competitors.

BCG Matrix helps the corporation in analyzing the product lines or business units, for prioritizing them and allocating resources. The model aims at identifying the problem of resource deployment, among different business segments. In this approach, various businesses of a company are classified on a two-dimensional grid.



BCG – Growth Share matrix

The vertical axis shows market growth rate, which is a measure of how attractive the market is?

The horizontal axis indicates relative market shares, which is an indicator of how strong the company's position is?

With the help of this matrix, the company can ascertain four kind of strategic business unit or products as follows:

Stars: It represents those products which are growing at a faster rate and requires the huge investment to maintain their position in the market.

Cash Cows: The products whose growth is low but holds high market share. They reap a lot of cash for the company and do not require finance for expansion.

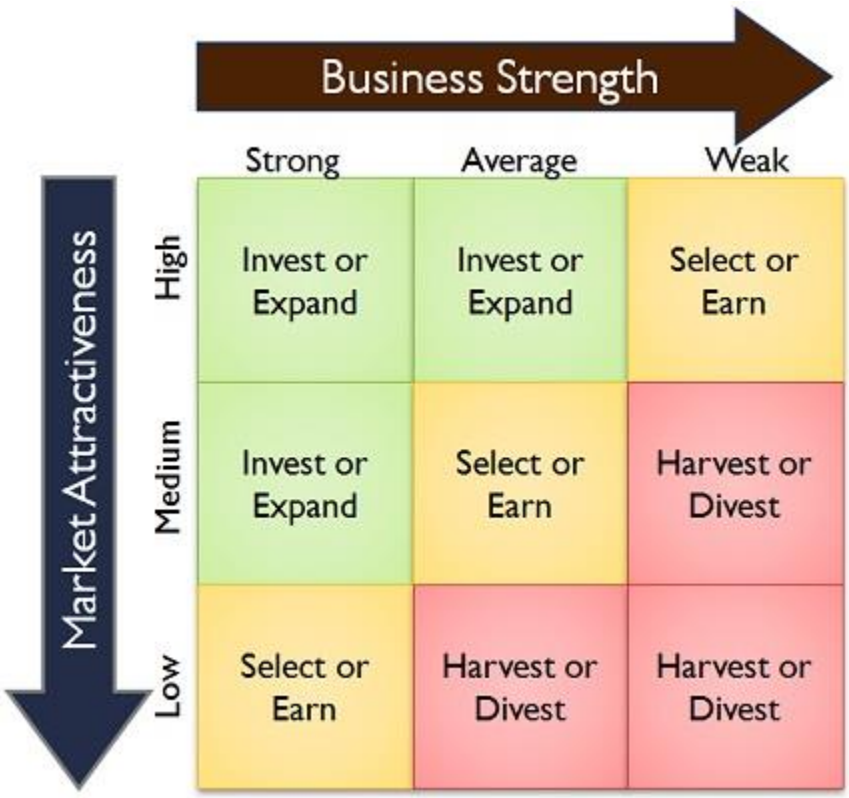
Question Marks: It indicates those products which possess a low market share in a high-growth market and so need heavy investment to hold their share in the market, but do not generate cash in the same proportion.

Dogs: Dogs represents those products, which neither have a high growth rate nor high market share. Such products generate enough cash to maintain themselves but will not survive in the long term.

Definition of GE Matrix

GE matrix, alternately known as **General Electric Model is a business planning matrix**. The model is inspired by traffic lights which are used to manage traffic at crossings, wherein green light says go, yellow says caution and Red say stop.

The matrix comprises of nine cells, with two major dimensions, i.e. **business strength and industry attractiveness**. Business strength is influenced by market share, brand image, profit margins, customer loyalty, technological capability and so on. On the other hand, industry attractiveness is influenced by drivers such as pricing trends, economies of scale, market size, market growth rate, segmentation, distribution structure, etc.



GE – Portfolio matrix

When various product lines or business units are drawn on the matrix, strategic choices can be made, on the basis of their position in the matrix. Product falling into green section reflects the business is in the good position, but product lying into yellow section needs the managerial decision for making choices and the product in the red zone, are dangerous as they will lead the company to losses.

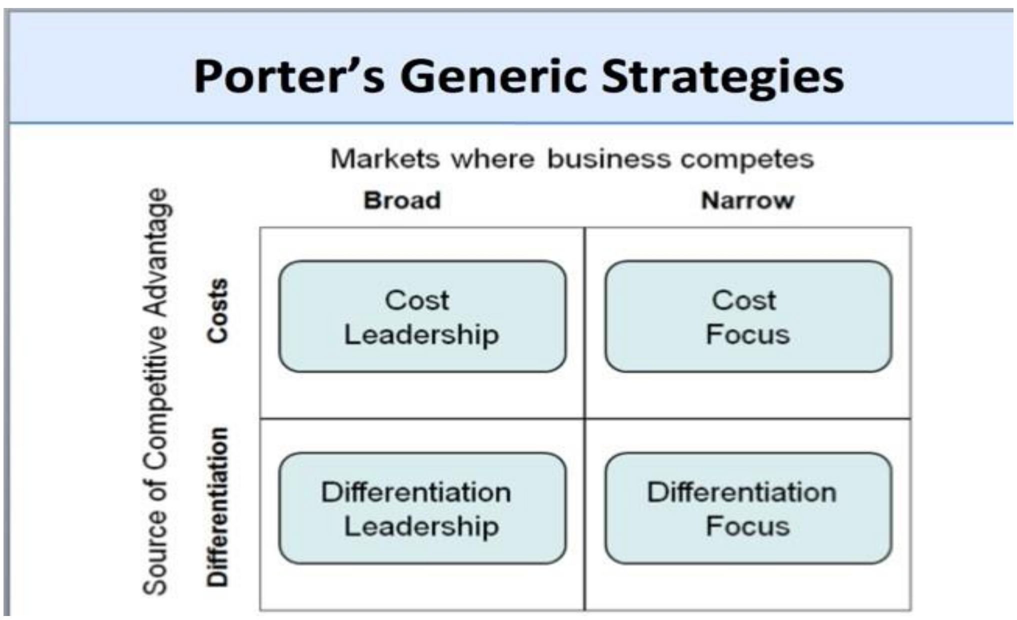
Porter's Model of Generic Strategies for Competitive Advantage

Porter suggested four "generic" business strategies that could be adopted in order to gain competitive advantage. The strategies relate to the extent to which the **scope**of a business' activities are narrow versus broad and the extent to which a business seeks to differentiate its products.
The short video below provides an overview of Porter's Generic Strategies and there are some additional study notes below the video.

The key strategic challenge for most businesses is to find a way of achieving a sustainable competitive advantage over the other competing products and firms in a market.

A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.

The four strategies are summarized in the figure below:



The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments. By contrast, the differentiation focus and cost focus strategies are adopted in a narrow market or industry.

Cost Leadership: With this strategy, the objective is to become the **lowest-cost producer in the industry**. The traditional method to achieve this objective is to produce on a large scale which enables the business to exploit economies of scale.

Why is cost leadership potentially so important? Many (perhaps all) market segments in the industry are supplied with the emphasis placed on minimizing costs. If the achieved selling price can at least equal (or near) the average for the market, then the lowest-cost producer will (in theory) enjoy the best profits.

This strategy is usually associated with large-scale businesses offering "standard" products with relatively **little differentiation** that are readily acceptable to the majority of customers. Occasionally, a low-cost leader will also discount its product to maximize sales, particularly if it has a significant cost advantage over the competition and, in doing so, it can further increase its market share.

A strategy of cost leadership requires close cooperation between all the functional areas of a business. To be the lowest-cost producer, a firm is likely to achieve or use several of the following:

- High levels of productivity
- High capacity utilization
- Use of bargaining power to negotiate the lowest prices for production inputs
- Lean production methods (e.g. JIT)
- Effective use of technology in the production process
- Access to the most effective distribution channels

Cost Focus: Here a business seeks a lower-cost advantage in just one or a small number of market segments. The product will be basic - perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers. Such products are often called "me-too's".

Differentiation Focus: In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers.

The important issue for any business adopting this strategy is to ensure that customers really do have different needs and wants - in other words that there is a valid basis for differentiation - and that existing competitor products are not meeting those needs and wants.

Differentiation focus is the classic niche marketing strategy. Many small businesses are able to establish themselves in a niche market segment using this strategy, achieving higher prices than un-differentiated products through specialist expertise or other ways to add value for customers. There are many successful examples of differentiation focus. A good one is Tyrrells Crisps which focused on the smaller hand-fried, premium segment of the crisps industry.

Differentiation Leadership: With differentiation leadership, the business targets much larger markets and aims to achieve competitive advantage through differentiation across the whole of an industry. This strategy involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a premium price for the product - often to reflect the higher production costs and extra value-added features provided for the consumer.

Differentiation is about charging a premium price that more than covers the additional production costs, and about giving customers clear reasons to prefer the product over other, less differentiated products. There are several ways in which this can be achieved, though it is not easy and it requires substantial and sustained marketing investment. The methods include:

- Superior product quality (features, benefits, durability, reliability)
- Branding (strong customer recognition & desire; brand loyalty)
- Industry-wide distribution across all major channels (i.e. the product or brand is an essential item to be stocked by retailers)
- Consistent promotional support – often dominated by advertising, sponsorship etc

Great examples of a differentiation leadership include global brands like Nike and Mercedes. These brands achieve significant economies of scale, but they do not rely on a cost leadership strategy to compete. Their business and brands are built on persuading customers to become brand loyal and paying a premium for their products.

WHAT ARE THE SIMPLE RULES THAT GUIDE OUR STRATEGIES?

The **simple rules** provide the guidelines within which managers can pursue opportunities. **Strategy**, then, consists of the unique set of strategically significant processes and the handful of **simple rules** that guide them. The basic idea is that when strategizing, large organizations spend too much time discussing the 'what' (climate change? Gender? Education? Livelihoods?), and too little on the 'how'. And within the 'how', the most important bit is probably the default questions and instincts that govern an organization's daily decision-making, rather than the long-winded strategy documents that no-one reads.

'Strategy as Simple Rules', by Kathleen M. Eisenhardt and Donald Sull, looks at the private sector, and argues that 'In a period of predictability and focused opportunities, a company should have more rules in order to increase efficiency. When the landscape becomes less predictable and the opportunities more diffuse, it makes sense to have fewer rules in order to increase flexibility.' Or more pithily 'when business becomes complicated, strategy should be simple.'

Simple rules, which grow out of experience, fall into five broad categories: how- to **rules**, boundary conditions, priority **rules**, timing **rules**, and exit **rules**. Companies with **simple-rules strategies** must follow the **rules** religiously and avoid the temptation to change them too frequently.

- **How-to rules**: Everyone must be passionately committed to social justice, and supporting the agency of poor/excluded people and communities

- **Boundary rules**: Any investment in advocacy requires a realistic chance of winning something, be it a policy change, a shift in attitudes, or getting an issue onto the public agenda
- **Priority rules**: How many people will benefit? How many of them will belong to poor/excluded people and communities? Will the changes be sustainable?
- **Timing rules**: What critical juncture or political/organizational window of opportunity will the advocacy take advantage of?
- **Exit rules**: Who will decide on exit? On what evidence? How will partners and communities be involved in the decision?

Thus the process used to develop simple rules matters as much as the rules themselves. Involving a broad cross-section of employees, for example, injects more points of view into the discussion, produces a shared understanding of what matters for value creation, and increases buy-in to the simple rules. Investing the time up front to clarify what will move the needles dramatically increases the odds that simple rules will be applied where they can have the greatest impact.

UNIT – III – QUESTION BANK

S.No	PART – A	CO	Blooms level
1	What do you mean by grand strategy?	CO3	1
2	List out strategic choice models.	CO3	2
3	Recall the importance of growth strategy.	CO3	1
4	State the significance of stability strategy.	CO3	1
5	Distinguish retrenchment and liquidation.	CO3	1
6	Explain the strategy clusters.	CO3	2
7	Expand nine cell matrixes.	CO3	2
8	What is vertical integration?	CO3	1
9	What is strategic alliance? Why are strategic alliances formed?	CO3	1
10	What is conglomerate diversification? Give two examples.	CO3	1
11	How strategy becomes a simple rule?	CO3	1
S.No	**PART – B**	**CO**	**Blooms level**
1	Differentiate between horizontal and vertical growth strategy. How do they differ from concentric diversification?	CO3	5
2	How do you formulate a strategy at corporate level? Explain it with an example.	CO3	5
3	How do you formulate a strategy at functional level? Explain it with an example.	CO3	6
4	Explain about strategy alternatives by its way of approachability.	CO3	6
5	Write detailed notes on expansion and retrenchment as corporate level strategies.	CO3	5
6	Explain BCG growth share matrix.	CO3	5
7	Describe the GE nine cell matrix technique used for analyzing corporate portfolio.	CO3	5
8	Discuss about porter’s generic strategies.	CO3	5

9	Discuss the aspects to be considered before merging.	CO3	5
10	Compare harvest and liquidation.	CO3	5

S.No	**PART – C**	**CO**	**Blooms level**
1	Enumerate Strickland's Grand Strategy Selection Matrix.	CO3	5
2	Illustrate the model of Grand Strategy Clusters.	CO3	5
3	Compare and contrast the BCG- GE Nine Cell Matrix.	CO3	5
4	Explain the concept of Cost Leadership strategy. Illustrate your answer with suitable example.	CO3	5
5	Explain the concept of Differentiation strategy. Illustrate your answer with suitable example.	CO3	5
6	Discuss the statement, "Related diversification is an attractive corporate strategy as it offers the best of both the worlds."	CO3	6
7	Provide reasons as to why this corporate level strategy is adopted: (1) Stability (2) Expansion (3) Retrenchment (4) Combination.	CO3	5
8	Suggest the strategies that Indian companies can use to compete with global companies within India?	CO3	6
9	Explain the GE Nine Cell Planning Grid with suitable example.	CO3	5
10	Explain the BCG Matrix with suitable example.	CO3	5
11	If a company which operates in stability strategy in current operations along with related diversification through backward integration. What should be the ideal mix of functional plans and policies? Highlight its features.	CO3	6

TEXT/ REFERENCE BOOKS

- Pearce, Robinson and Mittal, “Strategic Management, Formulation, Implementation & Control”, McGraw Hill, 12th Edition.
- Wheelen and Hunger, “Concepts in Strategic Management & Business Policy”, Pearson, 13th Edition.
- Thomson, Strickland, Gamble & Jain, “Crafting & Executing Strategy, the Quest for Competitive Advantage”, McGraw Hill, 16th Edition.
- Kazmi, “Strategic Management and Business Policy”, McGraw Hill, 3rdEdition.
- Jauch, Glueck & Gupta, “Business Policy and Strategic Management”, Frank Brothers, 7th Edition.

SATHYABAMA
INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)
Accredited "A" Grade by NAAC | 12B Status by UGC | Approved by AICTE
www.sathyabama.ac.in

SCHOOL OF LAW

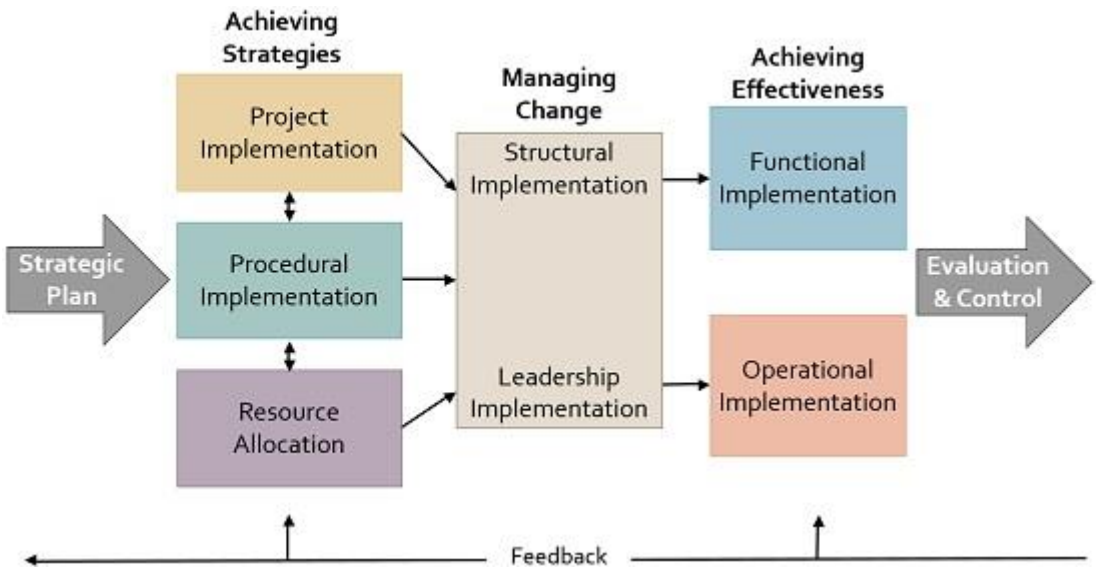
UNIT – IV – BUSINESS POLICY AND STRATEGIC MANAGEMENT– SBA1402

UNIT 4 – STRATEGIC IMPLEMENTATION

Strategic Implementation: Developing short-term objectives and policies- functional tactics and rewards -Structural Implementation: an overview of Structural Considerations Behavioral Implementation: an overview of: Leadership and Corporate Culture Mc Kinsey 7-S Framework Establishing Strategic Control

STRATEGIC IMPLEMENTATION – CONCEPT:

Strategy Implementation refers to the **execution of the plans and strategies**, so as to accomplish the long-term goals of the organization. It converts the opted strategy into the moves and actions of the organization to achieve the objectives. Simply put, strategy implementation is the technique through which the firm develops, utilizes and integrates its structure, culture, resources, people and control system to follow the strategies to have the edge over other competitors in the market.



Strategy Implementation is the **fourth stage of the Strategic Management process**, the other three being a determination of strategic mission, vision and objectives, environmental and organizational analysis, and formulating the strategy. It is followed by Strategic Evaluation and Control.

Process of Strategy Implementation:

- Building an organization, that possesses the capability to put the strategies into action successfully.
- Supplying resources, in sufficient quantity, to strategy-essential activities.
- Developing policies which encourage strategy.
- Such policies and programs are employed which helps in continuous improvement.
- Combining the reward structure, for achieving the results.
- Using strategic leadership.

The process of strategy implementation has an important role to play in the company's success. The process takes places after environmental scanning, SWOT analyses and ascertaining the strategic issues.

Prerequisites of Strategy Implementation:

- **Institutionalization of Strategy**: First of all the strategy is to be institutionalized, in the sense that the one who framed it should promote or defend it in front of the members, because it may be undermined.
- **Developing proper organizational climate**: Organizational climate implies the components of the internal environment that includes the cooperation, development of personnel, the degree of commitment and determination, efficiency, etc., which converts the purpose into results.
- **Formulation of operating plans**: Operating plans refers to the action plans, decisions and the programs, that take place regularly, in different parts of the company. If they are framed to indicate the proposed strategic results, they assist in attaining the objectives of the organization by concentrating on the factors which are significant.
- **Developing proper organizational structure**: Organization structure implies the way in which different parts of the organization are linked together. It highlights the relationships between various designations, positions and roles. To implement a strategy, the structure is to be designed as per the requirements of the strategy.
- **Periodic Review of Strategy**: Review of the strategy is to be taken at regular intervals so as to identify whether the strategy so implemented is relevant to the purpose of the organization. As the organization operates in a dynamic environment, which may change anytime, so it is essential to take a review, to know if it can fulfill the needs of the organization.

Even the best-formulated strategies fail if they are not implemented in an appropriate manner. Further, it should be kept in mind that, if there is an alignment between strategy and other elements like resource allocation, organizational structure, work climate, culture, process and reward structure, then only the effective implementation is possible.

Aspects of Strategy Implementation

- Creating budgets which provide sufficient resources to those activities which are relevant to the strategic success of the business.
- Supplying the organization with skilled and experienced staff.
- Conforming that the policies and procedures of the organization assist in the successful execution of the strategies.
- Leading practices are to be employed for carrying out key business functions.

- Setting up an information and communication system that facilitates the workforce of the organization, to perform their roles effectively.
- Developing a favorable work climate and culture, for proper implementation of the strategy.
- Strategy implementation is the time-taking part of the overall process, as it puts the formulated plans into actions and desired results.

STRUCTURAL IMPLEMENTATION – CONCEPT:

A structural implementation is nothing but arrangement of tasks and sub tasks required to implement a strategy. A Diagrammatic representation could be organizational chart but administrative mechanism provides flesh and blood to the organization structure. An organizationally structure is the outline of authority and responsibility relationship among different job positions. It is a formal arrangement of tasks and sub – tasks which are needed to implement strategies.

An organization structure has two broad dimensions; namely

1. Vertical Dimensions: The vertical structure is planned to facilitate superiors to implement control over the work of subordinates. Vertical structures are known as tall structures. Such structures are suitable for companies which produce standardized products / services on a large scale with the help of mass production systems and well established technologies. The vertical dimension is characterized by

- Specialization of tasks
- Chain of command
- Formal reporting relationships
- Grouping of individuals into departments
- Upward and downward communication

2. Horizontal Dimensions: The horizontal dimension is designed to make certain cooperation and coordination among employees working at the same level of authority. Horizontal structures are also known as flat structures. Such structures are more vital for companies making differentiated products. Medium sized manufacturing and service enterprises and nonprofit organization which present specific social services are examples of these organizations. The main characteristics of horizontal dimensions are

- Sharing of tasks
- Sharing of information
- Decentralized decision making
- Focus on learning

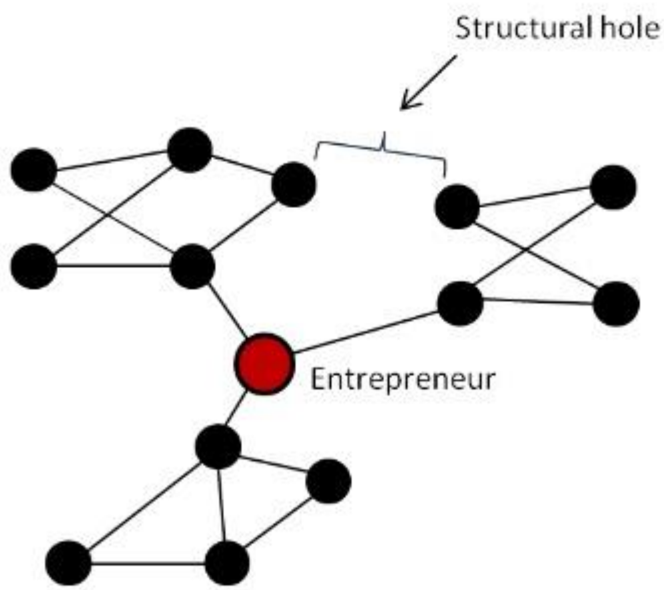
Types of Organization Structure:

The main types of organizational structures are given below:

1. Entrepreneurial Structure: The entrepreneurial structure is the most basic and the simplest type of organizational structure. This structure is suitable for an organization that is owned and managed by one person. Such an organization is typically a single product firm that serves a local market.

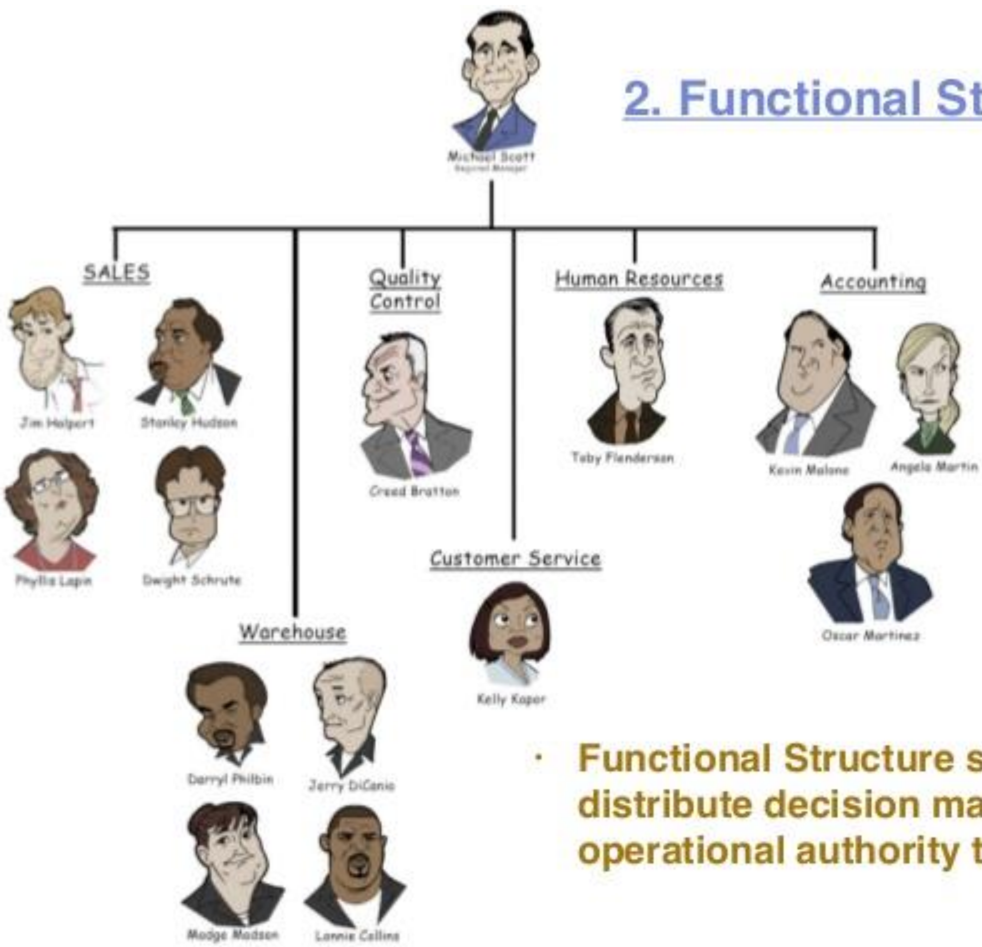
1. Entrepreneurial Structure

- Elementary form of structure
- Organization owned and managed by one person
- Serving single business, product or serve local markets
- Owner looks after all decisions, day to day operations of strategic nature.



2. Functional Structure: The expansion into the same line of business necessitates specialization of tasks and delegation of authority to heads of different functional areas. Functional structure is suitable for medium sized firms having limited number of products. Grouping of activities on the basis of functions performed for strategic implementation creates functional structures. For example, production, marketing, finance and personnel are the basic functions in a manufacturing organization. The process of functional differentiation may continue through successive level in the hierarchy.

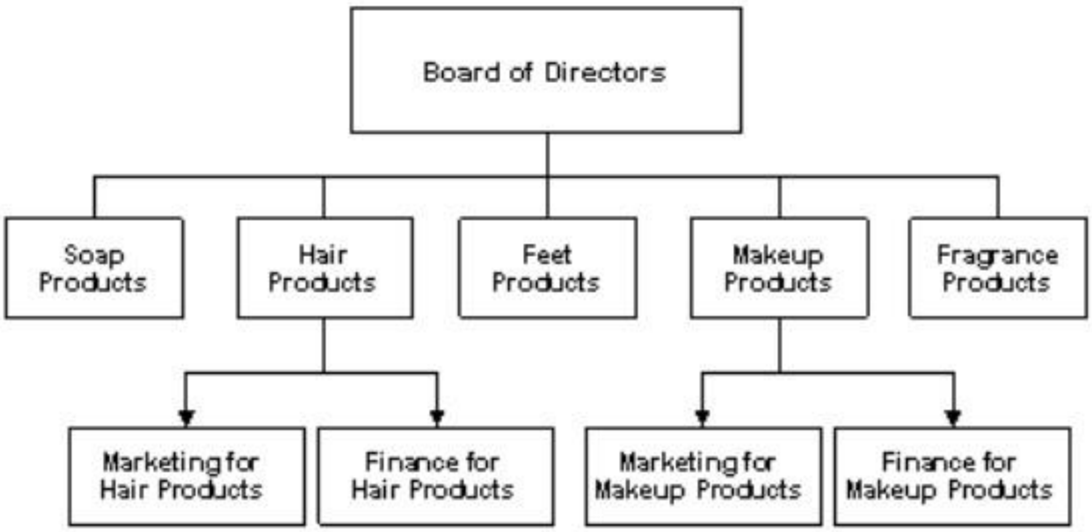
2. Functional Structure



- Functional Structure seeks to distribute decision making and operational authority towards each.

3. Divisional Structure

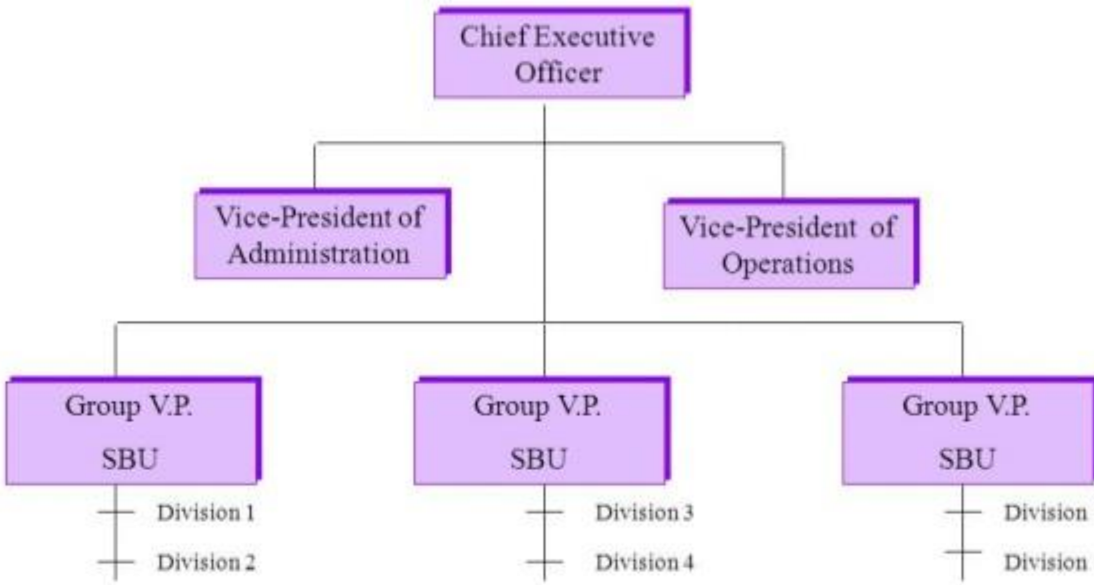
- Work is divided on the basis of product lines, types of customers served and geographical area covered
- Each separate divisions are created and placed under divisional-level management under which functional structure may still operate.



4. SBU Structure

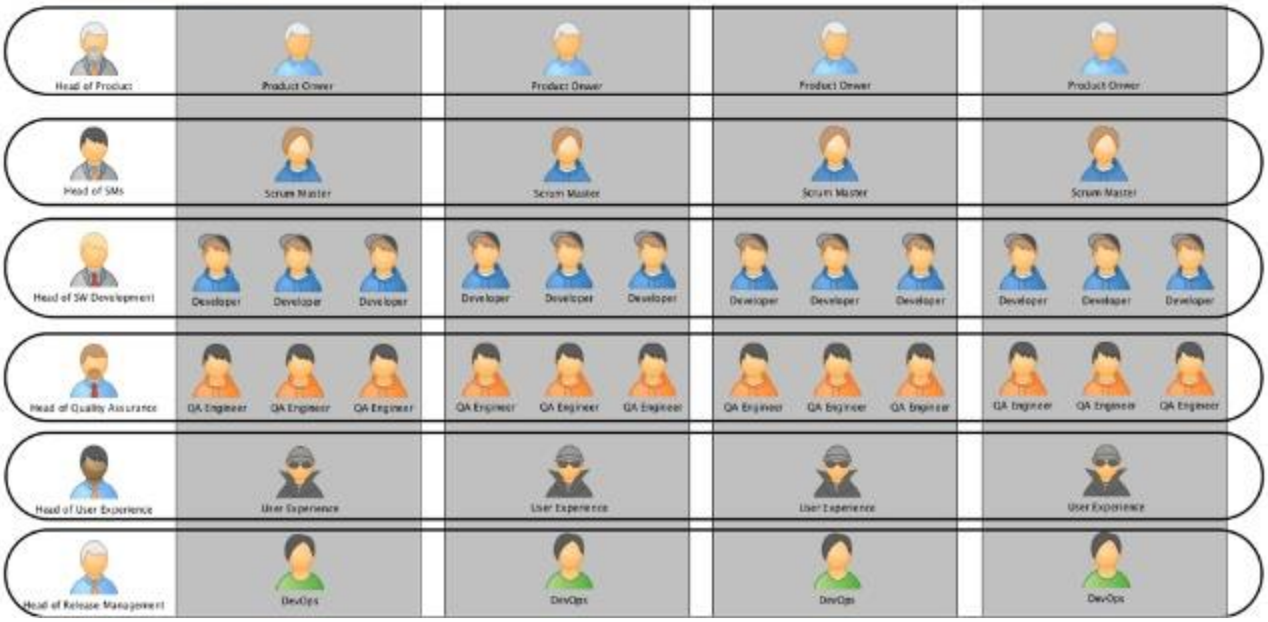
- **Any part of a business organization which is treated separately for strategic management purpose.**

- **SBU is created due to difficulty in top management to exercise strategic control over a division.**



5. Matrix Structure

- In large organizations,there will be handling of more than one project.
- It is created by assigning functional specialists to special projects/ new product/ service
- During the duration of project, specialists from different areas form different groups reporting to a team leader.
- These specialists will be working under their project and in their parent department simultaneously.



Structural Considerations in Strategic Implementation

Before implementing a new or revised strategy, company leaders must ensure the organizational structure can support the planned activities. After identifying the tasks that the company must perform well to succeed, company executives configure organizational hierarchies to support primary strategic goals and achieve competitive advantages. They also identify areas of weakness that pose risks and devise techniques for handling crises. Successful strategic implementation depends on structuring the organization’s employees so they can most effectively use the tools and resources available to create quality products and services.

- **Structuring Activities**

To prevent their staff from spending time on activities not directly related to achieving companies' strategic goals, managers identify tasks that can be outsourced to third-party vendors. Structuring work this way allows experts to perform these jobs, typically at a lower cast, while employees focus on their core competencies supporting main businesses. For example, computer manufacturers typically outsource assembly while focusing internally on design, sales and distribution duties.

- **Aligning Functions to Strategic Objectives**

Before corporate leaders can implement new strategies, they need to ensure that all personnel in the organizational structure possess the necessary skills, knowledge and resources to accomplish the tasks. Work must flow from one function to another so leaders should establish clear processes with policies and procedures that define roles and responsibilities. The strategy must be consistent across all departments, adaptive to changes, competitively advantageous and technically feasible.

- **Establishing Authority**

Successfully implementing a new strategy requires that managers and employees understand what activities require executive approval and which decisions employees have the empowerment to make without further approval. Ideally, decision makers should be those people who are closest to the situation and most knowledgeable about the impact. By avoiding micro-managing the organization, managers streamline operations and eliminate wasteful tasks. If the organization is structured to allow employees the flexibility to make critical decisions, they must also be held accountable for their actions.

- **Developing Partnerships**

Strategic implementations require personnel to work together to achieve specific, measurable, attainable, relevant and time-constrained goals and objectives. Establishing a common balanced scorecard prevents groups from competing against each other to succeed individually at the expense of the whole company. If company executives foster a cooperative environment between departments, managers share resources, personnel and knowledge effectively. Additionally, the organizational structure should encourage new employees to seek out coaching and mentoring from corporate executives. By encouraging learning and development, company leaders establish a framework for sustainable growth.

BEHAVIORAL IMPLEMENTATION – CONCEPT:

The **behavioral** of the employees affect the success of the organization. **Strategic implementation** requires support, discipline, motivation and hard work from all manager and employees.

- **Influence Tactics:** The organizational leaders have to successfully implement the strategies and achieve the objectives.

- **Power:** it is the potential ability to influence the behavior of others.

- **Empowerment as a way of Influencing Behavior:** The top executives have to empower lower level employees.

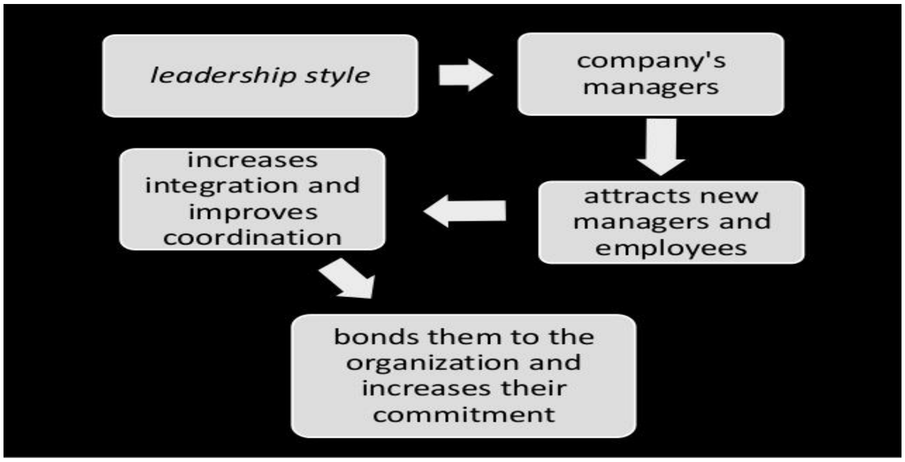
STRATEGY: "Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations". Every organization has to manage its strategies in main three areas;

- The organizations internal resources
- The external environment within which the organization operates
- The organizations ability to add value to what it does

CULTURE: Corporate culture refers to the beliefs and behaviors that determine how a company's employees and management interact and handle outside business transactions. Often, corporate culture is implied, not expressly defined, and develops organically over time from the cumulative traits of the people the company hires. Thus,

- Culture is the social glue.
- Culture provides boundary-defining roles.
- Culture conveys a sense of identity for organization members.
- It serves as a “sense-making” and control mechanism that guides and shapes the attitudes and behavior of employees.

LEADERSHIP: Leadership is fundamental aspect of strategic management and paramount in strategy implementation. The ability to anticipate, envisions, maintain flexibility and empower others to create strategic change.



Strategic leadership affects organizational culture as well, through the way they delegate authority and divide up task relationships. It is pivotal for any leader to have a cultural awareness in formulation, exaction and evaluation of strategy process for any organization irrespective of their purpose of existence. Ultimately it is leader's ability to strike the right balance between Strategy, leadership and culture to realize organizational effectiveness.

MCKINSEY 7-S FRAMEWORK

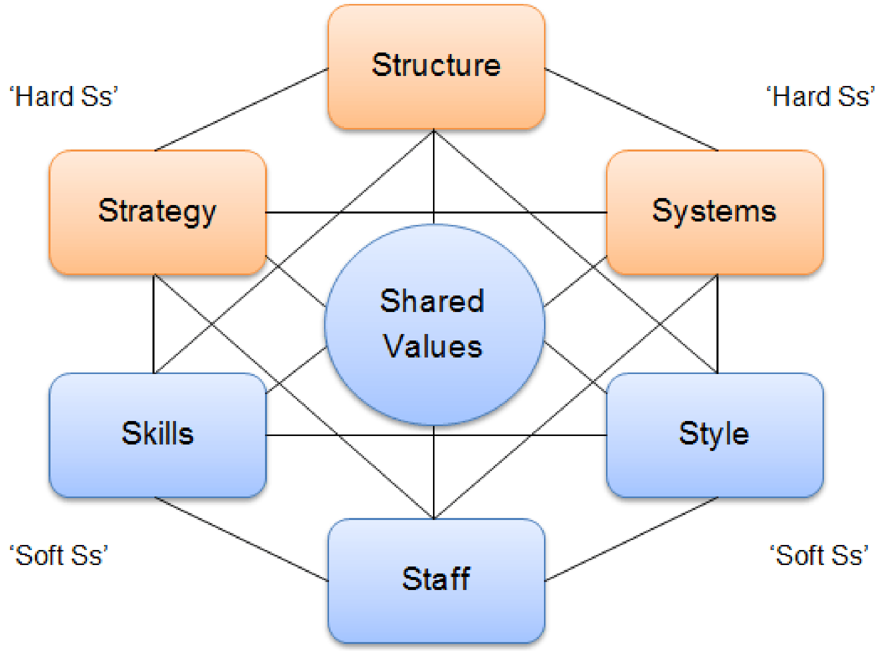
The model was developed in the late 1970s by Tom Peters and Robert Waterman, former consultants at McKinsey & Company. They identified seven internal elements of an organization that need to align for it to be successful.

When to Use the McKinsey 7-S Model:

The model can be applied to many situations and is a valuable tool when organizational design is at question. The most common uses of the framework are:

- To facilitate organizational change.
- To help implement new strategy.
- To identify how each area may change in a future.
- To facilitate the merger of organizations.

The goal of the model was to show how 7 elements of the company: Structure, Strategy, Skills, Staff, Style, Systems, and Shared values, can be aligned together to achieve effectiveness in a company. The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of a firm for it to function effectively. McKinsey model, which represents the connections between seven areas and divides them into 'Soft Ss' and 'Hard Ss'. The shape of the model emphasizes interconnectedness of the elements.



Let's look at each of the elements individually:

- **Strategy:** this is your organization's plan for building and maintaining a competitive advantage over its competitors.
- **Structure:** this how your company is organized (that is, how departments and teams are structured, including who reports to whom).
- **Systems:** the daily activities and procedures that staffs use to get the job done.
- **Shared values:** these are the core values of the organization, as shown in its corporate culture and general work ethic. They were called "super ordinate goals" when the model was first developed.
- **Style:** the style of leadership adopted.
- **Staff:** the employees and their general capabilities.
- **Skills:** the actual skills and competencies of the organization's employees.

STRATEGIC CONTROL – CONCEPT:

"Strategic control involves the monitoring and evaluation of plans, activities, and results with a view towards future action, providing a warning signal through diagnosis of data, and triggering appropriate interventions, be they either tactical adjustment or strategic reorientation." The various components of the strategic control process generate answers to these two questions:

1. Has the strategy been implemented as planned?
2. Based on the observed results, does the strategy need to be changed or adjusted?

Strategic Control Techniques:

There are four primary types of strategic control:

Premise Control: Every organization creates a strategy based on certain assumptions, or premises. As such, premise control is designed to continually and systematically verify whether those assumptions, which are foundational to your strategy, are still true. These are typically environmental (e.g. economic or political shifts) or industry-specific (e.g. new competitors) variables.

Implementation Control: This type of control is a step-by-step assessment of implementation activities. It focuses on the incremental actions and phases of strategic implementation, and monitors events and results as they unfold. Is each action or project happening as planned? Are the proper resources and funds being allocated for each step? This process continually questions the basic direction of your strategy to ensure it's the right one.

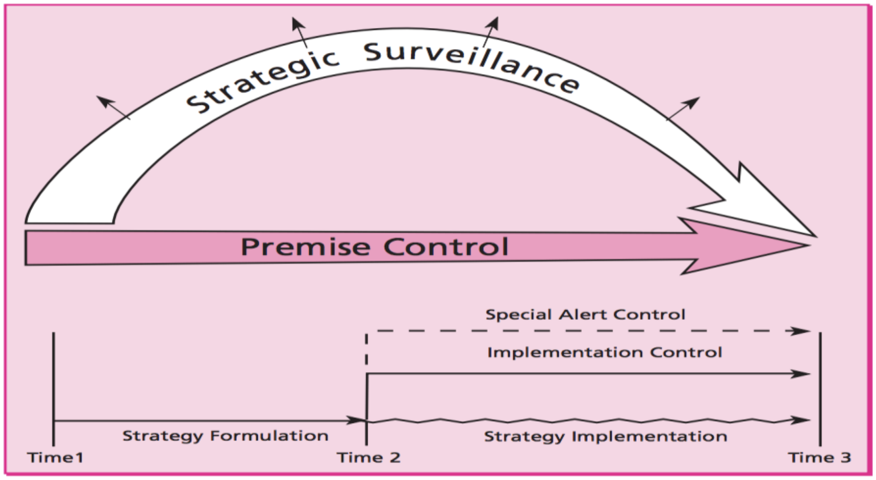
There are two subcategories of implementation control:

- Monitoring Strategic Thrusts or Projects
- Reviewing Milestones

Special Alert Control: When something unexpected happens, a special alert control is mobilized. This is a reactive process, designed to execute a fast and thorough strategy assessment in the wake of an extreme event that impacts an organization. The event could be anything from a natural disaster or product recall to a competitor acquisition. In some cases, a special alert control calls for the formation of a crisis team usually comprising members of the strategic planning and leadership teams and in others, it merely means activating a predetermined contingency plan.

Strategic Surveillance Control: Strategic surveillance is a broader information scan. Its purpose is to identify overlooked factors both inside and outside the company that might impact your strategy. This process ideally covers any "ground" that might be missed by the more focused tactics of premise and implementation control. Your surveillance could encompass industry publications, online or social mentions, industry trends, conference activities, etc.

The below graph clearly depicts the application of the four techniques for strategic control and how they function alongside each other:



Six Steps of the Strategic Control Process:

1. Determine what to control.
2. Set standards.
3. Measure performance.
4. Compare performance.
5. Analyze deviations.
6. Decide if corrective action is needed.

Thus the entire strategic planning, implementation, and control process takes significant effort and thought. It requires a lot of buy-in from your leadership team. It also requires employees to understand why their actions are important and continuously work toward achievement of goals even if those goals shift over time.

UNIT – IV – QUESTION BANK

S.No	PART – A (Each Carries 5 Marks)	CO	Blooms level
1	Tell about 'Strategic Implementation'.	CO4	1
2	Differentiate between strategy formulation and its implementation?	CO4	1
3	Highlight the types of strategic implementation?	CO4	2
4	Discuss the steps in implementation of strategy.	CO4	2
5	Explain strategy implementation and the important issues involved in it.	CO4	1
6	Mention the 7s in McKinsey frame work?	CO4	1
7	What is strategic evaluation?	CO4	2
8	Define types of strategic control.	CO4	1
9	Write about strategic surveillance?	CO4	2
10	Describe the strategic control cycle.	CO4	2
11	What are the techniques of strategic evaluation & control?	CO4	2

S.No	PART – B (Each Carries 10 Marks)	CO	Blooms level
1	Explain the strategic implementation process.	CO4	5
2	Enumerate the pre-requisites of strategic implementation.	CO4	5
3	Explain about the dimensions adapted under structural implementation.	CO4	5
4	Discuss the significance of behavioral implementation.	CO4	6
5	Illustrate the Mckinsey's framework.	CO4	5
6	Elaborate the various steps involved under strategic controlling process.	CO4	5
7	Explain the corporate culture.	CO4	5
8	How can a corporate keep sliding into the decline stage of the organizational life cycle?	CO4	5

9	Explain about, how a company can develop an Entrepreneurial culture.	CO4	6
10	Using Mckinsey's framework analyzes competition.	CO4	5

S.No	PART – C (Each Carries 15 Marks)	CO	Blooms level
1	Discuss the use of 7s Model for strategic management	CO4	5
2	Explain the types of organization structure. Write a short note on the most suitable form of organization structure for a highly innovative technology based firm	CO4	5
3	Explain the types of strategic control.	CO4	5
4	Discuss the process of evaluation and strategic control cycle.	CO4	5
5	Discuss the strategic implementation process.	CO4	5
6	Discuss the role of Corporate Culture in strategic management.	CO4	5
7	Explain any three methods/techniques used in strategic control systems, giving examples.	CO4	5
8	Explain the Role of the strategist in evaluation and control of strategic management.	CO4	5

TEXT/ REFERENCE BOOKS

- Pearce, Robinson and Mittal, "Strategic Management, Formulation, Implementation & Control", McGraw Hill, 12th Edition.
- Wheelen and Hunger, "Concepts in Strategic Management & Business Policy", Pearson, 13th Edition.
- Thomson, Strickland, Gamble & Jain, "Crafting & Executing Strategy, the Quest for Competitive Advantage", McGraw Hill, 16th Edition.
- Kazmi, "Strategic Management and Business Policy", McGraw Hill, 3rdEdition.
- Jauch, Glueck & Gupta, "Business Policy and Strategic Management", Frank Brothers, 7th Edition.

SCHOOL OF LAW

UNIT – V – BUSINESS POLICY AND STRATEGIC MANAGEMENT – SBA1402

UNIT 5 – RECENT DEVELOPMENTS

Concept of Balanced Score card approach- Importance of Corporate Social Responsibility & Business Ethics. Concept of Corporate sustainability- Red Ocean and Blue Ocean Strategies

BALANCED SCORECARD – CONCEPT:

A balanced scorecard is a strategic management performance metric used to identify and improve various internal business functions and their resulting external outcomes. Balanced scorecards are used to measure and provide feedback to organizations. Data collection is crucial to providing quantitative results as managers and executives gather and interpret the information and use it to make better decisions for the organization.

Key Takeaways:

A balanced scorecard is a performance metric used to identify, improve, and control a business's various functions and resulting outcomes. It was first introduced in 1992 by David Norton and Robert Kaplan, who took previous metric performance measures and adapted them to include nonfinancial information. The balanced scorecard involves measuring four main aspects of a business: learning and growth, business processes, customers, and finance.

Understanding Balanced Scorecards:

Accounting academic Dr. Robert Kaplan and business executive and theorist Dr. David Norton first introduced the balanced scorecard. The Harvard Business Review first published it in the 1992 article "The Balanced Scorecard Measures That Drive Performance." Both Kaplan and Norton took previous metric performance measures and adapted them to include nonfinancial information.

The balanced scorecard model reinforces good behavior in an organization by isolating four separate areas that need to be analyzed. These four areas, also called legs, involve learning and growth, business processes, customers, and finance. The balanced scorecard is used to attain objectives, measurements, initiatives, and goals that result from these four primary functions of a business. Companies can easily identify factors hindering business performance and outline strategic changes tracked by future scorecards.

The balanced scorecard can provide information about the company as a whole when viewing company objectives. An organization may use the balanced scorecard model to implement strategy mapping to see where value is added within an organization. A company also uses a balanced scorecard to develop strategic initiatives and strategic objectives.

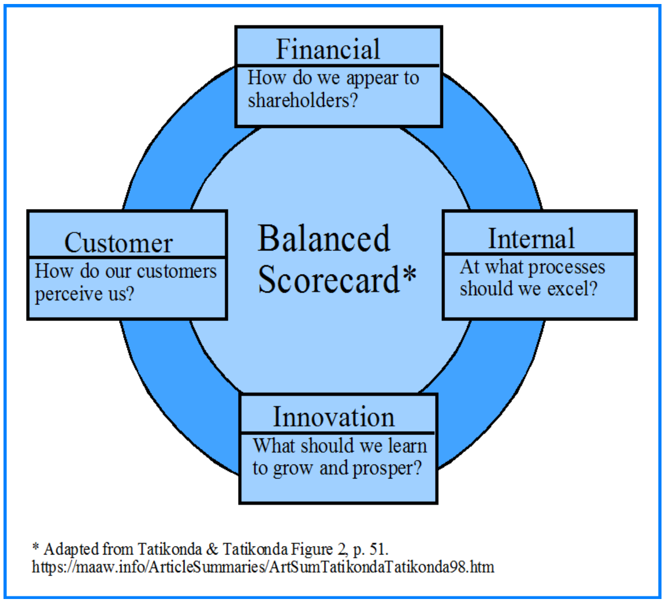
Characteristics of the Balanced Scorecard Model:

Information is collected and analyzed from four aspects of a business:

Learning and growth are analyzed through the investigation of training and knowledge resources. This first leg handles how well information is captured and how effectively employees use the information to convert it to a competitive advantage over the industry.

Business processes are evaluated by investigating how well products are manufactured. Operational management is analyzed to track any gaps, delays, bottlenecks, shortages, or waste.

Customer perspectives are collected to gauge customer satisfaction with quality, price, and availability of products or services. Customers provide feedback about their satisfaction with current products.
Financial data, such as sales, expenditures, and income are used to understand financial performance. These financial metrics may include dollar amounts, financial ratios, budget variances, or income targets.



These four legs encompass the vision and strategy of an organization and require active management to analyze the data collected. The balanced scorecard is thus often referred to as a management tool rather than a measurement tool.

CORPORATE SOCIAL RESPONSIBILITY - CONCEPT:

Corporate social responsibility (CSR) is a company's commitment to manage the social, environmental and economic effects of its operations responsibly and in line with public expectations. It is part of a company's approach to corporate governance and often touches every part of the business—operations, human resources, manufacturing, supply chain, health and safety, and more.

CSR activities may include:

- Company policies that insist on working with partners who follow ethical business practices
- Reinvesting profits in health and safety or environmental programs
- Supporting charitable organizations in the communities where a company operates
- Promoting equal opportunities for men and women at the executive level

Some aspects of CSR may be required by law. For example, banks and hospitals are legally required to protect people's private information. Others are voluntary.
The benefits of CSR are many. Companies establish good reputations, attract positive attention, save money through operational efficiency, minimize environmental impacts, attract top talent

and inspire innovation. Public companies often report on their CSR performance in their annual reports.

Importance of Corporate Social Responsibility:

The benefits of CSR speak volumes about how important it is and why you should make an effort to adopt it in your business. Some clear benefits of corporate social responsibility are:

- Improved public image
- Increased brand awareness and recognition
- Cost savings
- An advantage over competitors
- Increased customer engagement
- Greater employee engagement
- More benefits for employees

BUSINESS ETHICS – CONCEPT:

The term 'Business Ethics' refers to the system of moral principles and rules of the conduct applied to business. Business being a social organ shall not be conducted in a way detrimental to the interests of the society and the business sector itself. Every profession or group frames certain do's and do not's for its members. The members are given a standard in which they are supposed to operate. These standards are influenced by the prevailing economic and social situations. The codes of conduct are periodically reviewed to suit the changing circumstances.

Definition:

"Business ethics in short can be defined as the systematic study of ethical matters pertaining to the business, industry or related activities, institutions and beliefs. Business ethics is the systematic handling of values in business and industry." - **John Donaldson**

Business ethics should take into consideration the following factors:

- A business should aim to have fair dealing with everyone dealing with it.
- Ethics should be fixed for everyone working in the organisation at any level and their implementation should be linked with reward- punishment system.
- Any violation of ethics should be detected at the earliest and remedial measures taken immediately.
- Business ethics should be based on broad guidelines of what should be done and what should be avoided.
- The ethics should be based on the perception of what is right.

Importance of Business Ethics:

1. Corresponds to Basic Human Needs: The basic need of every human being is that they want to be a part of the organisation which they can respect and be proud of, because they perceive it to be ethical. Everybody likes to be associated with an organisation which the society respects as a honest and socially responsible organisation. The HR managers have to fulfill this basic need of the employees as well as their own basic need that they want to direct an ethical organisation. The basic needs of the employees as well as the managers compel the organizations to be ethically oriented.

2. Credibility in the Public: Ethical values of an organisation create credibility in the public eye. People will like to buy the product of a company if they believe that the company is honest and is offering value for money. The public issues of such companies are bound to be a success. Because of this reason only the cola companies are spending huge sums of money on the advertisements now-a-days to convince the public that their products are safe and free from pesticides of any kind.

3. Credibility with the Employees: When employees are convinced of the ethical values of the organisation they are working for, they hold the organisation in high esteem. It creates common goals, values and language. The HR manager will have credibility with the employees just because the organisation has creditability in the eyes of the public. Perceived social uprightness and moral values can win the employees more than any other incentive plans.

4. Better Decision Making: Respect for ethics will force a management to take various economic, social and ethical aspects into consideration while taking the decisions. Decision making will be better if the decisions are in the interest of the public, employees and company's own long term good.

5. Profitability: Being ethical does not mean not making any profits. Every organisation has a responsibility towards itself also i.e., to earn profits. Ethical companies are bound to be successful and more profitable in the long run though in the short run they can lose money.

6. Protection of Society: Ethics can protect the society in a better way than even the legal system of the country. Where law fails, ethics always succeed. The government cannot regulate all the activities that are harmful to the society. A HR manager, who is ethically sound, can reach out to agitated employees, more effectively than the police.

What is Corporate Sustainability?

Corporate sustainability can have different meanings depending on the business context. Fundamentally, the concept of sustainability can be defined as "meeting the needs of the present without compromising the ability of future generations to meet theirs." That being said, three primary pillars are often associated with the topic of corporate sustainability: social, environmental, and economic (often known as people, planet, and profits). Combined, these core components help corporations embrace sustainability in a way that is beneficial to efficiency, sustainable growth, and shareholder value.

The 3 Pillars of Sustainability:

- **Economic:** The economic pillar is not about profit at any cost for the corporation -- it's about corporate risk management. The importance lies in the balance between profit and ethics. Although a change in the supply chain may bring short-term financial gains, it should be viewed with extreme skepticism if there is any risk of potential damage to the corporation's reputation. On the other hand, the economic pillar also provides a counterweight to extreme sustainability measures that corporations are sometimes pressured to implement, such as entirely abandoning fossil fuels. Overall, corporate policies should not be self-defeating or dangerous to their long-term growth and reputation. The economic pillar essentially makes it possible for corporations to continue making sustainability changes at a gradual and financially stable rate.

- **Social:** The social pillar is all about having the support of employees, stakeholders, and the community. Treating employees fairly and having a respectful supply chain process leads to increased productivity and creativity, as well as strong retention and engagement. Overall, practicing sustainable social strategies in the long run results in a workforce with greater skills and more motivation. Creating a strong, community oriented culture encourages employees to be innovative who have the ability to improve upon existing products, processes, and business models. On a global scale, the social pillar means knowing where and how your supply chain is being filled -- sustainable labor, safe work environment, fair wages, and respectful to the community.

- **Environmental:** The environmental pillar is arguably the most important out of all three. Sustainable corporations are often the most innovative because they are constantly reviewing existing processes to find better, greener alternatives. By reducing their carbon footprint and packaging waste, corporations are also able to see a positive impact in their public reputation and financial returns. Some common goals that help corporations both save money and reduce their environmental impact are implementing transportation management systems, reduce carbon emissions, and improve packaging. As awareness around environmental issues increases, it is important to have a mission of green sustainability to build a reputation with consumers as eco-friendly.

RED OCEAN STRATEGIES – CONCEPT:

A red ocean strategy involves competing in industries that are currently in existence. This often requires overcoming an intense level of competition and can often involve the commoditization of the industry where companies are competing mainly on price. Red Ocean Strategy is a head-to-head battle where the players of a particular segment compete with each other remaining in the same market space i.e. within the boundaries of the same industry on the principle of ‘competitive advantage.

Definition: "Red oceans represent all the industries in existence today the known market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known".

Characteristics of Red Ocean Strategy:

1) **Existing Industries:** Red Ocean strategy talks about existing, current industries and product or service segment. The producer or the company doesn't go away from its existing Industry and conduct business as competitive with its other competitors within the industry.

2) **Defined Market Space:** Market space is space within which any producer conducts business and is able to sell its produce to the possible buyers. In this form of strategy the market space is known as it has existed since the inception of the industry.

3) **Defined Industry Boundaries:** The boundaries around which the Industries scope and span revolves around is limited and very much defined and well accepted by the producer and his/her counterparts boundaries are defined and accepted.

4) **Known Competitive Rules:** Competitive rules are known and defined, the policies on which the industry is governed is updated and modernized to its capacity of ensuring better and healthy environment within the industry.
5) **Low Profit Growth Opportunity:** Fairly having a divided form of market share only ensures a low profit and growth opportunities as each producer is capable of sustaining while providing differentiated and higher quality product.
6) **Competitive Advantage:** The market on a Red Ocean Strategy works on the principle of competitive advantage where, due to a higher technology or supply of cheaper raw material or marginally higher product quality or better logistics can be seen as a competitive advantage.
7) **Low Cost or Differentiation:** The best way to survive or sustain in such a market condition is to either through a strategy of low cost if the producer has an advantage on cost of production, raw material, labor, logistics and warehousing.
8) **Beat the Competition:** The Company's only goal and outlook is to beat the competition by hook or crook to render them a better margin of profit or market share. Thus they put down every form of investment to compete and fight for even a single percent market share.
9) **Exploit Existing Demand:** Pricing decisions are made tactfully to not just cover the cost incurred on production, but also to collect enough profits before their counterparts make a move to hamper their sales.
10) **Focus on existing customers:** For any particular industry, market or economy of scale, the buyers are limited on the basis of gender, taste, preference, age, income etc. Thus the available consumer pool in most cases is mostly limited.

BLUE OCEAN STRATEGIES – CONCEPT:
"Blue ocean strategy generally refers to the creation by a company of a new, uncontested market space that makes competitors irrelevant and that creates new consumer value often while decreasing cost". BOS is all about minimizing risks due to competition threat and maximizing opportunities by exploring new boundaries. Formulating and executing Blue Ocean Strategy have their own principles that define and separate blue ocean strategy from competition-based strategic thought. Blue ocean strategy is about gaps rowing demand.

Characteristics of Blue Ocean Strategy:
1) **Non Existent Industries:** In a Blue Ocean Strategy one tends to see a creation of a whole new industry as you innovate and create products and services that are highly unique and unseen. Blue Ocean Strategy denotes all the industries not in existence till today.
2) **Undefined Market Space:** The market space in blue ocean strategy is unknown as it has been uncontested and is to be created and developed. The producer has a slight idea about its returns, but is completely oblivious of its potential, scope, and span of coverage.
3) **Undefined Industry Boundaries:** Again even the Industries boundaries are undefined as these will be new industries and would mean that the scope of the industries can be as large as one's imagination, creativity, and potential.
4) **Unknown Competitive Rules:** The rules of the market are not defined, the policies governing the industries are not even developed, the scope of the market, industry is just stipulated and the competition is almost negligible.
5) **High Profit & Growth Opportunity:** Clearly when there is no risk of an immediate competitor on the product, the industry thus formed by the producer is in every sense skewed and inclined towards the producer.

6) **Value Innovation:** Blue Ocean Strategy works on the principle of value innovation which means that it radically looks only towards an innovative idea to create new or an improved product which is far better than its counterparts.
7) **Innovation & Creativity:** Innovation and Creativity are the essentials in this strategy as the producer's only aim is to develop an innovative and an efficient product that either out performs existing products far behind technologically or it is something never thought of and unheard to everybody.
8) **Create a Market:** The benefit of going solo as an innovator is that you create the market for yourself, examining the need of the customer and segmenting the consumer pool. You can also installed utility of the product which makes it equally possible to be consumed by another segment of the market.
9) **Developing Future Demand:** When the first press conference was conducted by Steve Jobs for I Phone, he didn't show case his product, but instead he built a relationship with the customers in his very presentation. He got their attention and he immediately made a blow by tempting them to buy the product.
10) **Focus on Creating Future Customers:** It's not just about creating customers, but instead building a pool of high loyal customers who would look up to the brand as their own and idealize their every new product.

Principles of Blue Ocean Strategy:
1) **Reconstruct Market Boundaries:** This principle identifies the paths by which managers can systematically create uncontested market space across diverse industry domains, hence attenuating search risk.
2) **Focus on the Big Picture, not the Numbers:** This principle, which addresses planning risk, presents an alternative to the existing strategic planning process, which is often criticized as a number-crunching exercise that keeps companies locked into making incremental improvements.
3) **Reach beyond Existing Demand:** To create the greatest market of new demand, managers must challenge the conventional practice of aiming for finer segmentation to better meet existing customer preferences, which often results increasingly small target markets.
4) **Get the Strategic Sequence Right:** The fourth principle describes a sequence that companies should follow to ensure that the business model they build will be able to produce and maintain profitable growth.
5) **Overcome Key Organizational Hurdles:** Tipping point leadership shows managers how to mobilize an organization to overcome the key organizational hurdles that block the implementation of a blue ocean strategy.
6) **Build Execution into Strategy:** fair process to address the management risk associated with people’s attitudes and behaviors. Because a blue ocean strategy represents a departure from the status quo, fair process is required to facilitate both strategy making and execution by mobilizing people for the voluntary cooperation needed for execution.

Red Ocean vs Blue Ocean:

Here's a simple summary of how a traditional red ocean strategy matches up to a blue ocean strategy:

Red ocean strategy	Blue ocean strategy
• Compete in existing industry.	• Create a new uncontested industry.
• Beat the competition.	• Avoid competition and make competitors irrelevant.
• Fight for existing demand.	• Create new demand.
• Trade off value for cost.	• Simultaneously increase value and decrease cost.
• Winning is zero-sum against competitors.	• Winning is non-zero-sum.
• Market structure is fixed, and you play within the structure.	• The market can be restructured.
• Follow best practices and improve on them.	• Break the best practice rules.

UNIT – V – QUESTION BANK

S.No	PART – A (Each Carries 5 Marks)	CO	Blooms level
1	Explain balanced scorecard.	CO5	1
2	List out the importance of balanced scorecard.	CO5	1
3	Derive the impact of strategic management on not-for-profit organization.	CO5	2
4	Write about corporate social responsibility.	CO5	2
5	Define business ethics.	CO5	2
6	Bring out the factors influencing ethics.	CO5	2
7	Explain the corporate sustainability.	CO5	1
8	Highlight the pillars of sustainability.	CO5	2
9	Explain blue ocean strategy.	CO5	1
10	Explain red ocean strategy.	CO5	1

S.No	PART – B (Each Carries 10 Marks)	CO	Blooms level
1	Explain balanced scorecard and its characteristics.	CO5	5
2	Discuss about the importance of corporate social responsibility.	CO5	5
3	Highlight and explain the benefits of corporate social responsibility.	CO5	5
4	Explain in detail about the factors to be considered in business ethics.	CO5	5
5	Enumerate the significance of ethics.	CO5	5
6	Explain red ocean strategy.	CO5	5
7	Explain blue ocean strategy.	CO5	6
8	Discuss the principles of blue ocean strategy.	CO5	5
9	Bring out the ethical principles used in business from an Indian perspective.	CO5	5
10	Discuss about ethical and non-ethical behavior in workplace with an examples.	CO5	5

S.No	PART – C (Each Carries 15 Marks)	CO	Blooms level
1	Discuss how a development in a corporation's societal environment can affect the corporations through its task environment.	CO5	5
2	Elucidate a recommendation would you make to improve the effectiveness of today's Boards of Directors?	CO5	5
3	Elucidate how today are companies fulfilling their Social responsibility?	CO5	5
4	Discuss the popular theories of Social Responsibility.	CO5	5
5	"Balanced Scorecard is a superior performance measurement tool". - Explain.	CO5	6
6	Distinguish between profit-making organizations and not-for-profit organization? Explain with suitable examples.	CO5	5
7	Discuss the strategic issues in Not-for-profit organizations.	CO5	5
8	Explain the CSR scenario in Indian industry?	CO5	5
9	Define corporate social responsibility. Define the categories of socially responsible behavior.	CO5	6
10	Differentiate and explain red and blue ocean strategy.	CO5	6

TEXT/ REFERENCE BOOKS

- Pearce, Robinson and Mittal, "Strategic Management, Formulation, Implementation & Control", McGraw Hill, 12th Edition.
- Wheelen and Hunger, "Concepts in Strategic Management & Business Policy", Pearson, 13th Edition.
- Thomson, Strickland, Gamble & Jain, "Crafting & Executing Strategy, the Quest for Competitive Advantage", McGraw Hill, 16th Edition.
- Kazmi, "Strategic Management and Business Policy", McGraw Hill, 3rdEdition.
- Jauch, Glueck & Gupta, "Business Policy and Strategic Management", Frank Brothers, 7th Edition.