

DIRECTORATE OF DISTANCE & CONTINUING EDUCATION

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BBA Course Material

STRATEGIC MANAGEMENT

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STRATEGIC MANAGEMENT

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UNIT - I

Introduction

1.0 Introduction of Strategic Management

Strategic Management is a relatively new discipline focused in the field of management, and provides overall direction to an organization for attaining its objectives and achieving success. It is an ongoing process in which an organization continuously updates its strategies with respect to changes taking.

History of Strategy: Indeed, the word strategy has its roots in warfare. The Greek verb strategos means “army leader” and the idea of stratego (from which we get the word strategy) refers to defeating an enemy by effectively using resources (Bracker, 1980).

Strategic management is a youthful discipline. Its origins date back to the 1960s, with its roots to be found mainly in the seminal publications by Chandler (1962), Ansoff (1965) and Andrews (1971). It explores the five types of strategic management - linear, adaptive, interpretive, expressive and transcendent and their respective advantages and challenges.

Igor Ansoff (Russian: Игорь Ансов; 12 December 1918 – 14 July 2002) was a Russian-American applied mathematician and business manager. He is known as the father of strategic management.

Strategic Management is a comprehensive and continuous process that helps organizations achieve long-term goals and sustain a competitive advantage in a dynamic business environment. It involves the formulation, implementation, and evaluation of strategies to ensure that the organization’s objectives are met effectively and efficiently.

In today’s globalised and competitive world, organizations face constant changes in technology, market trends, and consumer preferences. Strategic management provides a structured framework for analysing internal strengths and weaknesses, as well as external

opportunities and threats (SWOT analysis). This enables managers to make informed decisions that align with the organization's vision, mission, and objectives.

Overview of Strategic Management

Strategic management is a comprehensive process that enables organizations to plan and achieve long-term objectives in a competitive and changing environment. It focuses on aligning an organization's resources, capabilities, and actions with its vision and mission to ensure sustainable growth and success. The main purpose of strategic management is to identify opportunities and threats in the external environment, assess internal strengths and weaknesses, and formulate strategies that provide a competitive advantage. It involves continuous monitoring, evaluation, and adjustment of strategies to respond effectively to market changes and challenges.

What is strategic management?

Strategic management involves developing and implementing plans to help an organisation achieve its goals and objectives. This process can include formulating strategy, planning organisational structure and resource allocation, leading change initiatives, and controlling processes and resources.

Strategic planning involves identifying business challenges, choosing the best strategy, monitoring progress, and then adjusting the executed strategy to improve performance. It involves using tools like SWOT (strengths, weaknesses, opportunities, and threats) analysis to assess where opportunities and threats lie between the organisation, its competition, and the overall market.

Strategic management happens at broader levels, such as organisation-wide leadership, but it also works at a department or team level.

Meaning of Strategic Management

Strategic management is the process of planning, organizing, implementing, and evaluating strategies to achieve an organization's long-term goals and objectives. It

involves analyzing the internal and external environment, setting a clear direction, and making decisions that help the organization gain a competitive advantage in the market. In simple terms, strategic management means determining what the organization wants to achieve in the future, how it will reach those goals, and how it will ensure continued success. It helps managers align resources, policies, and actions with the organization's mission and vision to ensure effective performance and sustainable growth.

Definitions of Strategic Management

Strategic management is the process of defining and implementing procedures and objectives that set a company apart from its competition. Strategic management is also a skill you can develop as you gain experience and adopt a strategic mindset.

Glueck (1980)

Strategic management is “a stream of decisions and actions which leads to the development of an effective strategy or strategies to help achieve corporate objectives.”

Pearce and Robinson (2003)

Strategic management is “a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives.”

Fred R. David (2011)

Strategic management is “the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives.”

1.1 Objectives of Strategic Management

The objectives of strategic management highlight why organizations adopt this process and what they aim to achieve through it. These objectives help organizations remain competitive, efficient, and adaptable in a dynamic business environment.

1. Achieving Organisational Goals

The primary objective of strategic management is to ensure that the organisation achieves its long-term goals and objectives. It provides a clear roadmap and direction for decision-making.

2. Gaining Competitive Advantage

Strategic management helps organisations identify opportunities and threats in the market and develop strategies that provide an edge over competitors.

3. Efficient Resource Utilisation

Through strategic planning, organizations can allocate and utilize their resources financial, human, and technological effectively to maximize productivity and minimize waste.

4. Adaptation to Environmental Changes

In a constantly changing business environment, strategic management enables organisations to respond proactively to market trends, technological changes, and competitive pressures.

5. Long-term Sustainability

Strategic management ensures the organization's long-term survival and growth by focusing on sustainable practices, innovation, and continuous improvement.

6. Improving Organisational Performance

By setting performance targets and monitoring results, strategic management helps enhance efficiency, profitability, and overall organizational effectiveness.

7. Facilitating Coordination and Integration

It ensures that all departments and employees work toward common goals, promoting synergy and better coordination across the organisation.

8. Encouraging Innovation and Growth

Strategic management fosters creativity and innovation, allowing organizations to explore new markets, products, and business models for growth.

1.2 Characteristics of Strategic Management:

1. Top management involvement

Strategic management relates to several areas of a firm's operations. So, it requires top management's involvement. Generally, only the top management has the perspective needed to understand the broad implications of its decisions and the power to authorize the necessary resource allocations.

2. Requirement of large amounts of resources

Strategic management requires commitment of the firm to actions over an extended period of time. So they require substantial resources, such as, physical assets, money, manpower etc. Example: Decisions to expand geographically would have significant financial implications in terms of the need to build and support a new customer base.

3. Affect the firm's long-term prosperity

Once a firm has committed itself to a particular strategy, its image and competitive advantage are tied to that strategy; its prosperity is dependent upon such a strategy for a long time.

4. Future-oriented

Strategic management encompasses forecasts, what is anticipated by the managers. In such decisions, emphasis is placed on the development of projections that will enable the firm to select the most promising strategic options. In the turbulent environment, a firm will succeed only if it takes a proactive stance towards change.

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6. Non-self-generative decisions:

While strategic management may involve making decisions relatively infrequently, the organisation must have the preparedness to make strategic decisions at any point of time. That is why Ans off calls them “non-self generative decisions”.

1.3 Approaches to Strategic Management:

The two main approaches to strategic management are prescriptive and descriptive. A prescriptive approach focuses on developing strategies, while a descriptive approach focuses on implementing them. The prescriptive model is more top-down and based on SWOT analysis. The descriptive model is more guided by experimenting with different methods to find solutions and learning from experience. It applies agile methodology to strategic management.

Types of Strategy

One way of thinking about strategic management is to classify the management focus into three types of strategy: Business, operational, and transformational.

- Business strategies are high-level plans outlining how your organisation will achieve its objectives.
- Operational strategies are much more specific plans where you detail what actions to take to achieve the desired results.
- Transformational strategies involve radically changing your organisation to achieve significant improvements.

Difference between Strategy and Tactics:

Strategy

Strategy refers to a long-term plan or approach designed to achieve major goals or overall objectives. It focuses on what an organization or individual wants to achieve and why it is important, providing a clear direction for decision-making and resource allocation. For example, a company's strategy may be to become a market leader in eco-friendly products.

Tactics

Tactics are the specific actions or steps taken to implement the strategy. They focus on how the strategy will be executed in the short term and are often flexible, allowing adjustments based on changing circumstances. For example, to achieve the eco-friendly product strategy, tactics could include launching social media campaigns, offering discounts, and partnering with influencers.

Aspect	Strategy	Tactics	Example
Definition	A long-term plan to achieve overall goals.	Specific actions or steps to implement the strategy.	Strategy: Become the market leader. Tactic: Launch a social media campaign.
Focus	What" and "Why" – the goal and purpose.	"How" – the method to achieve the goal.	Strategy: Win the championship. Tactic: Use a 4-3-3 formation in a match.
Timeframe	Long-term (months or years).	Short-term (days or weeks).	Strategy: Reduce costs by 20% in a year. Tactic: Negotiate better supplier contracts this month

Scope	Broad, affects the whole organization or project.	Narrow, specific actions for particular areas.	Strategy: Improve brand image. Tactic: Sponsor a local event or run a PR campaign.
Flexibility	The “map” or overall plan.	The “steps” or moves to follow the map.	Strategy: Travel across Europe. Tactic: Book flights and hotels city by city.

1.4 Levels of Strategic Management:

1. Corporate -Level Strategy

Corporate-level strategy is the highest level of strategy in an organization. It focuses on the overall direction and scope of the organization, determining which industries or markets the company should operate in. It also involves decisions on resource allocation among different business units to achieve long-term organizational goals. For example, a conglomerate like Tata Group deciding to operate in automobiles, IT, and steel industries.

2. Business-Level Strategy

Business-level strategy, also called competitive strategy, focuses on how a specific business unit competes within its industry. It aims to create competitive advantages and achieve a strong market position. For example, Tata Motors deciding to compete in the electric car market by focusing on affordable EVs.

3. Functional-Level Strategy

Functional-level strategy is the lowest level of strategy and is applied within specific departments such as marketing, operations, finance, or human resources. It focuses on efficiently implementing business-level strategies through day-to-day activities. For example, the marketing department of Tata Motors creating a campaign to promote a new EV model.

Strategic Management Process:



1. Defining the levels of strategic intent of the business

- Establishing vision
- Designing mission
- Setting objectives

2. Formulation of strategy

- Performing environmental and organizational appraisal
- Considering strategies
- Carrying out strategic analysis
- Making strategies
- Preparing strategic plan

3. Implementation of strategy

- Putting strategies into practice
- Developing structures and systems
- Managing behavioural and functional implementation

4. Strategic Evaluation and Control

- Performing evaluation
- Exercising control
- Recreating strategies

A. Strategic Intent

Strategic Intent can be understood as the philosophical base of the strategic management process. It implies the purpose, which an organization endeavors of achieving. It is a statement that provides a perspective of the means, which will lead the organization, reach the vision in the long run. Strategic intent gives an idea of what the organisation desires to attain in future. It answers the question what the organization strives or stands for? It indicates the long-term market position, which the organization desires to create or occupy and the opportunity for exploring new possibilities.

1. Vision

Vision implies the blueprint of the company's future position. It describes where the organization wants to land. It is the dream of the business and inspiration, base for the planning process. It depicts the company's aspirations for the business and provides a peep of what the organization would like to become in future. Every single component of the organization is required to follow its vision.

2. Mission

Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the business. It is designed to help potential shareholders and investors understand the purpose of the company. A mission statement helps to identify, 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and business makeup.

3. Business Definition

It seeks to explain the business undertaken by the firm, with respect to customer needs, target audience, and alternative technologies. With the help of business definition,

one can ascertain the strategic business choices. The corporate restructuring also depends upon the business definition.

4. Business Model

Business model, as the name implies is a strategy for the effective operation of the business, ascertaining sources of income, desired customer base, and financing details. Rival firms, operating in the same industry relies on the different business model due to their strategic choice.

5. Goals and Objectives

These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable actions, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan, over the particular period.

B. Strategy Formulation

Strategy Formulation is an analytical process of selection of the best suitable course of action to meet the organizational objectives and vision. It is one of the steps of the strategic management process. The strategic plan allows an organization to examine its resources, provides a financial plan and establishes the most appropriate action plan for increasing profits.

It is examined through SWOT analysis. SWOT is an acronym for strength, weakness, opportunity and threat. The strategic plan should be informed to all the employees so that they know the company's objectives, mission and vision. It provides direction and focus to the employees

1.5 Steps of Strategy Formulation:

1. Establishing Organizational Objectives

This involves establishing long-term goals of an organization. Strategic decisions can be taken once the organizational objectives are determined.

2. Analysis of Organizational Environment

This involves SWOT analysis, meaning identifying the company's strengths and weaknesses and keeping vigilance over competitors' actions to understand opportunities and threats. Strengths and weaknesses are internal factors which the company has control over. Opportunities and threats, on the other hand, are external factors over which the company has no control. A successful organization builds on its strengths, overcomes its weakness, identifies new opportunities and protects against external threats.

3. Forming quantitative goals

Defining targets so as to meet the company's short-term and long-term objectives. Example, 30% increase in revenue this year of a company.

4. Objectives in context with divisional plans

This involves setting up targets for every department so that they work in coherence with the organisation as a whole

5. Performance Analysis

This is done to estimate the degree of variation between the actual and the standard performance of an organisation.

6. Selection of Strategy

This is the final step of strategy formulation. It involves evaluation of the alternatives and selection of the best strategy amongst them to be the strategy of the organization. Strategy formulation process is an integral part of strategic management, as it helps in framing effective strategies for the organization, to survive and grow in the dynamic business environment.

2. Levels of Strategy Formulation

Corporate Level Strategy

This level outlines what you want to achieve: growth, stability, acquisition or retrenchment. It focuses on what business you are going to enter the market.

Business Level Strategy

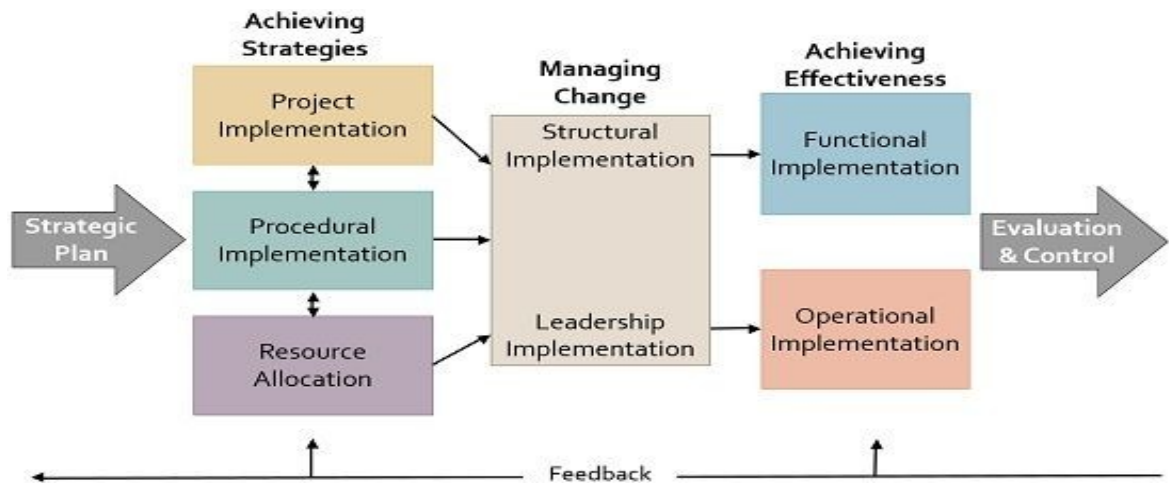
This level answers the question of how you are going to compete. It plays a role in those organizations which have smaller units of business and each is considered as the strategic business unit (SBU).

Functional Level Strategy:

This level concentrates on how an organization is going to grow. It defines daily actions including allocation of resources to deliver corporate and business level strategies.

Strategy Implementation

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 organisation 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 organisational analysis, and formulating the strategy. It is followed by Strategic Evaluation and Control.

4. Strategy Evaluation

Strategic Evaluation is the final phase of strategic management process. Strategy Evaluation throws light on the efficiency and effectiveness of the comprehensive plans in achieving the desired results as stated during strategy formulation. The management assesses the validity of current strategy in existing environment with respect to dynamic socio-economic, political and technological innovations. The significance of strategy evaluation lies in its capacity to co-ordinate the task performed by managers, groups, departments etc, through control of performance. Strategic Evaluation is significant because of various factors such as – developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process, judging the validity of strategic choice etc.

1.5 Benefits of Strategic Management:

1. Provides Direction and Focus

Strategic management helps an organization define its vision, mission, and long-term goals. It provides a clear direction for all employees and departments, ensuring that everyone works toward common objectives. This focus prevents confusion and helps in the effective use of time and resources.

2. Improves Organizational Performance

Through proper planning and goal setting, strategic management enhances the overall efficiency and productivity of the organization. It ensures that every activity contributes to achieving the organization's goals, which improves performance and profitability.

3. Encourages Proactive Thinking

Strategic management enables managers to anticipate future challenges and opportunities rather than simply reacting to them. It helps organizations to prepare for changes in the market, technology, or competition, allowing them to stay ahead.

4. Enhances Competitive Advantage

By continuously analyzing competitors and market trends, strategic management helps the organization to develop unique strengths and gain a competitive edge. It ensures that the company's products, services, or processes stand out in the market.

5. Promotes Better Coordination and Communication

Strategic management encourages teamwork and coordination across various departments. When everyone understands the organization's goals and strategies, communication improves, and departments work together more effectively.

6. Facilitates Better Decision-Making

It provides a structured framework for making informed and logical decisions. Managers can evaluate different alternatives based on long-term objectives, ensuring that choices made today support future growth.

7. Helps in Resource Optimization

Strategic management ensures that the organization's human, financial, and physical resources are used efficiently. By prioritizing key projects and initiatives, waste is reduced and productivity increases.

8. Ensures Long-Term Growth and Stability

Through continuous monitoring, evaluation, and adjustment of strategies, organizations can sustain growth even in a changing environment. It helps maintain stability, adaptability, and long-term success.

1.6 Steps of the Strategic Management Process:

It's common to view the strategic management process as five steps: identification, analysis, formation, execution, and evaluation.

1. Define the direction.

The initial stage of the strategic management process involves identifying the direction and specific goals and determining what needs to happen to achieve them.

2. Analyze the current situation.

The second step is analysis and research. Using tools like SWOT analysis and examining the organisation's resources, including budget, time, people (staff), and more, you'll better understand how to leverage what's working and eliminate what's not.

3. Outline the strategy and plan of action.

Next is formulating a strategy and plan of action based on situational analysis. This step involves crafting a specific and realistic plan to help the organisation achieve its goals.

4. Execute the plan.

Executing the plan is the fourth step in the strategic management process. This step involves implementing the plan and monitoring its progress. If you take a more descriptive approach to strategy, you may have to adjust the plan as circumstances change.

5. Evaluate the plan.

Evaluation is the fifth and final step in the strategic management process. Here, you'll assess whether the organisation has achieved its goals. If not, you can adjust your plan and implement it innovatively. Feedback and analysis are essential to evaluating and preparing for an optimal business future.

Examples of Strategic Management in Practice:

The following examples illustrate practical applications of strategic management principles in real-world scenarios, emphasising their impact on organisational efficiency, competitiveness, and profitability.

1.7 Implementing and overhauling information systems and technology

Suppose Company A is a startup that has been scaling rapidly. They hired a strategy consultant to come in and conduct an audit. The consultant finds that the company is paying for apps and tools it doesn't use. They conduct survey research to understand employee needs and compile a list of 20 apps (out of 100) that can be discontinued with little negative impact. After implementation, the company surveys employees again in two months to gauge their needs. Overall, it turned out to be an efficient, cost-cutting strategy.

Shifting resources (budget) towards more successful revenue streams

Company B's Chief Marketing Officer asked its department to assess its brand marketing strategy. The head of marketing found that their email marketing efforts generated more conversions than any other channel, so they diverted some of their print budgets towards expanding the email marketing team. The email marketing team developed a strategy and plan to reach new audience segments. After six months, more budgets were shifted towards email to support the programme's success.

Careers that Apply Strategic Management

To some extent, strategy is necessary for plenty of management and leadership roles in nearly any industry. But, strategic management is slightly different since it involves managing the evolution of important strategies to an organisation's bottom line. These are a few careers that apply strategic management as a core part of the role:

- Management consultant
- Corporate strategy advisor
- Business analyst
- Strategy manager
- Business development manager

1.8 Frameworks for Strategic Management:

1. Competitive Advantage

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

2. Corporate Strategy and Portfolio Theory

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

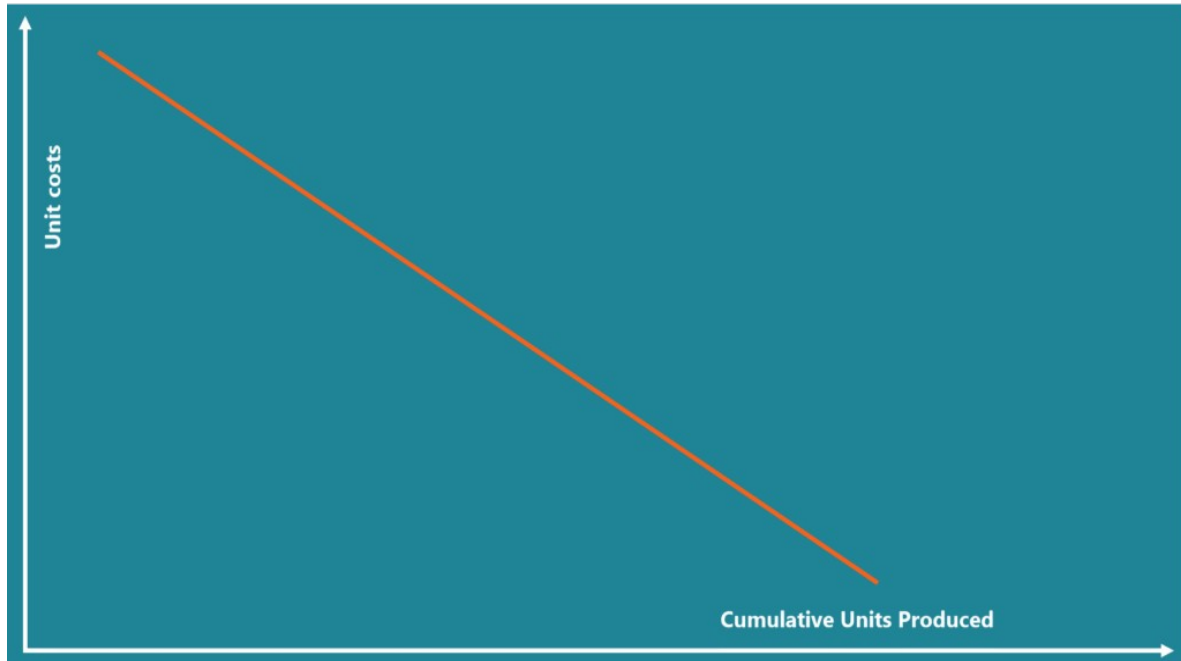
The Growth-Share Matrix, developed by the Boston Consulting Group, helps corporations analyze the value of their individual business units by plotting the business on an axis. The two parameters of judgment are market share a measure of a business unit's competitive position in regards to its peers and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

3. Core Competence

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

4. Experience Curve

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



Generic Competitive Strategies

Companies should concentrate their strategy on cost leadership, focus, or differentiation. According to famed business strategist Michael Porter, if a company does not place focus on a singular factor, it risks wasting its resources. Such a strategy places emphasis on either specializing in a product or service by creating a unique selling proposition or creating economies of scale to achieve low costs of production.

Check Your Progress

Choose the Correct Answer:

1. What is Strategic Management mainly concerned with?

- a. Daily operational activities
- b. Long-term planning and direction of the organization
- c. Employee recruitment only
- d. Financial accounting

Answer: b) Long-term planning and direction of the organization

2. What is the main difference between Strategy and Tactics?

- a. Strategy is short-term while tactics are long-term

- b. Strategy is the overall plan while tactics are specific actions to implement the plan
- c. Strategy is used only in marketing
- d. Tactics are decided by top management only

Answer: b) Strategy is the overall plan while tactics are specific actions to implement the plan

3. Which of the following is a level of strategy in an organization?

- a. Corporate level
- b. Department level
- c. Employee level
- d. Machine level

Answer: a) Corporate level

4. Which of the following is the correct step in the Strategic Management process?

- a. Strategy formulation
- b. Strategy implementation
- c. Strategy evaluation
- d. All of the above

Answer: d) All of the above

5. One major benefit of Strategic Management is:

- a. Eliminates competition
- b. Helps organizations achieve long-term goals and adapt to changes
- c. Removes the need for managers
- d. Guarantees profit

Answer: b) Helps organizations achieve long-term goals and adapt to changes

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	Define Strategic Management.	CO1	Remember	PO1
2	What is the difference between strategy and tactics?	CO1	Understand	PO1
3	List the levels of strategy in an organization.	CO1	Remember	PO1
4	What are the steps in the strategic management process?	CO1	Understand	PO1
5	State any two benefits of strategic management.	CO1	Understand	PO1

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the concept and importance of Strategic Management in organizations.	CO1	Understand	PO1
2	Discuss the difference between strategy and tactics with suitable examples.	CO1	Analyze	PO1
3	Explain the different levels of strategy in an organization.	CO1	Understand	PO1
4	Describe the strategic management process in detail.	CO1	Analyze	PO1
5	Discuss the benefits and limitations of strategic management.	CO1	Evaluate	PO1

UNIT - II

STRATEGY FORMULATION

2.0 Introduction

Strategy formulation lays out specific goals, timelines, and resources, making it easier for teams to implement plans effectively. By establishing milestones and performance metrics, leaders can track progress and ensure that each phase of the strategy unfolds as planned. Strategy formulation is the process of using available knowledge to document the intended direction of a business and the actionable steps to reach its goals. This process is used for resource allocation, prioritization, organization-wide alignment, and validation of business goals.

Objectives of Strategy Formulation:

Strategic objectives are purpose statements outlining focus areas and measurable steps for your organization to help achieve its broader corporate goal. Understanding examples of strategic objectives and the key formulas for creating them will help you formulate effective strategic objectives.

2.1 Importance of Strategy Formulation:

Effective strategy formulation helps companies identify and leverage their unique strengths, allowing them to differentiate themselves in the market. By analyzing competitors, market conditions, and internal capabilities, organizations can determine where they can excel.

Strategic Planning and Strategic Formulation

While strategy formulation lays the groundwork and sets the direction, strategy implementation brings those plans to life through practical execution. Both phases are indispensable, working hand in hand to drive sustainable growth and adaptability.

In strategy formulation, organizations meticulously analyze their internal and external environments, define clear mission and vision statements, set achievable objectives, and develop robust strategies. This process, grounded in comprehensive research and analysis. It facilitates the creation of actionable plans that steer the organization towards sustainable growth and success.

Strategy formulation is a critical phase in the strategic management process where organizations define clear objectives and develop a blueprint to achieve them. It involves analyzing the internal and external environment to identify strengths, weaknesses, opportunities, and threats (SWOT). This phase necessitates the integration of insights from various functional areas like marketing, finance, and operations to craft strategies aligned with the organization's mission and vision. The ultimate goal is establishing a competitive advantage and fostering sustainable growth, ensuring the organization's long-term viability and success.

Strategy Formulation

Strategy formulation refers to strategic planning or long-range planning. It is connected with developing an organization's mission objectives, strategies, and policies. This begins with analyzing the situation: finding the strategic fit between external opportunities and internal strengths. Also, while working around external threats and weaknesses. As analyzing the strategic factors in the light of the current situations. Opportunity divided by capacity is the essence of strategy. A company cannot exploit an opportunity without the capacity (resources).

Business Strategy

This critical process employs various analytical techniques such as SWOT (Strengths, Weaknesses, Opportunities, Threats), VRIO (Value, Rarity, Imitability, Organization), PESTEL (Political, Economic, Social, Technological, Environmental, Legal) etc. It is done to analyse the dissect market dynamics and pinpoint opportunities. This stage is pivotal in aligning organizational efforts and resources. It fosters a culture of innovation and adaptability and paving a roadmap for sustainable growth and success.

Key Reasons Why Strategy Formulation is Important:

Strategy formulation is a critical process because it provides a clear long-term direction, ensures efficient resource allocation, helps achieve a competitive advantage, and enables an organization to adapt proactively to a dynamic business environment.

Provides Clear Direction and Vision:

Strategy formulation helps define the organization's mission and vision, giving everyone a clear understanding of the goals and the path to achieving them. This aligns efforts across all departments and fosters a unified, forward-focused approach.

Enhances Decision-Making:

A well-defined strategy provides a framework for daily decision-making, ensuring choices are consistent with the overall long-term objectives and not based on personal bias or short-term thinking.

Optimizes Resource Allocation:

The process helps prioritize initiatives and allocate financial, human, and technological resources effectively to areas with the highest growth potential. This prevents waste, minimizes redundancies, and improves efficiency.

Fosters a Competitive Advantage:

By conducting thorough internal (strengths/weaknesses) and external (opportunities/threats) analysis (SWOT analysis), organizations can identify unique capabilities and market positioning strategies to outperform competitors.

Facilitates Adaptability to Change:

In a rapidly evolving business landscape, an effective strategy provides a structure for anticipating and responding to market shifts, new technologies, and unexpected challenges. This flexibility is vital for long-term survival and sustainability.

Enables Measurement of Progress:

The formulation process involves setting clear, measurable (SMART) objectives and key performance indicators (KPIs), which allow management to track progress, evaluate performance, and make necessary adjustments.

Increases Employee Motivation and Accountability:

When employees understand the company's goals and how their roles contribute to the larger vision, it can increase job satisfaction, commitment, and a sense of ownership in the organization's success.

Improves Risk Management:

It allows for the identification of potential risks and the development of proactive contingency plans to mitigate threats, reducing the likelihood and impact of costly mistakes.

2.2 Levels of Strategy Formulation:

Strategy formulation occurs at various organisational levels. Each focuses on different aspects of the organization's goals and operations. Here are the primary levels of strategy formulation:

Corporate-Level Strategy

Corporate-level strategy is the highest level of strategy formulation. It focuses on the overall scope and direction of the organization. It involves decision-making by the top management regarding which businesses to engage in and how to allocate resources among them.

Example:

Alphabet Inc., Google's parent company, formulating a strategy to diversify its business portfolio beyond search engines into areas like autonomous vehicles (Waymo) and healthcare (Verily).

Business Level Strategy

Business-level strategy concerns how the organization plans to compete successfully in specific markets. It involves developing unique value propositions and competitive advantages.

Example:

Toyota adopted a differentiation strategy by focusing on producing high-quality, reliable vehicles and pioneering hybrid technology with the Prius.

Functional Level Strategy

This strategy focuses on the specific actions. It also includes processes within various departments (like marketing, finance, operations, etc.) to support the business-level strategy.

Example:

Coca-Cola's marketing department is developing a global advertising campaign to strengthen the brand's presence and appeal to a younger audience.

2.3 Process of Strategy Formulation:

Defining Mission and Vision:

This foundational step articulates the organization's core purpose (mission) and long-term aspirations (vision). The mission serves as a guiding principle, delineating the organization's *raison d'être* and the value it intends to offer. Concurrently, the vision paints a picture of what the organization aspires to become. It serves as a beacon guiding its

strategic decisions and actions. Together, they form the cornerstone influencing the organisation's culture, direction, and goals.

Setting Objectives

Once the mission and vision are defined, the next step is establishing concrete objectives aligning with them. These objectives are specific, measurable, achievable, relevant, and time-bound (SMART). It serves as milestones that the organization aims to achieve within a specified timeframe. Setting clear objectives is crucial as it provides a focused direction. It enables the organization to channel its efforts effectively towards achieving its mission and realizing its vision.

Example:

A startup setting a SMART objective to achieve a 20% market share in its niche within the first five years of operation, aligning with its mission to become a leader in its industry and its vision to revolutionize its sector with innovative solutions.

Strategy Development

At this juncture, teams brainstorm and develop various strategies. It considers the organization's strengths, weaknesses, opportunities, and threats (SWOT). This stage is crucial for laying a solid foundation for the forthcoming steps. It ensures the strategies are grounded in a deep understanding of internal and external environments.

Example:

Amazon is leveraging its technology and logistics competency to expand into new markets and product categories.

Strategy Evaluation and Choice

Following the development phase, the strategies are scrutinized based on their feasibility and potential effectiveness in achieving the set objectives. This involves a

critical analysis where the pros and cons of each strategy are weighed. It ensures the adoption of the most promising strategy for implementation.

Example:

Netflix evaluated various content strategies before investing heavily in original programming to differentiate itself in a crowded market.

Implementation Planning

This phase is characterized by meticulous Planning to pave the way for the successful implementation of the chosen strategy. It encompasses delineating responsibilities, setting realistic timelines, and allocating necessary resources. A well-crafted plan at this stage serves as a blueprint for action in the subsequent phase.

Example:

Tesla outlining a detailed plan for the rollout of its electric vehicle charging infrastructure, including timelines, budget allocations, and partnerships.

Strategy Implementation

Strategy implementation implies the transition of strategy from paper to practice. The organization mobilizes its resources to execute the plan, adjusting based on real-time feedback and changing circumstances. This stage is vital for translating strategic visions into tangible actions and achievements.

Example:

Starbucks is implementing its strategy of expanding globally by opening stores in various countries and adapting its menu to suit local tastes.

Monitoring and Control

This stage involves continuously monitoring the strategy's performance to ensure alignment with the organization's objectives and the dynamic market conditions. It allows for timely interventions and adjustments, helping to maintain the strategy's effectiveness and relevance in a fluctuating business environment.

Example:

Coca-Cola regularly monitors the performance of its marketing campaigns and makes adjustments based on consumer feedback and market trends.

Feedback and Adjustment

Feedback is a pivotal aspect of this phase, where inputs from various stakeholders are collected and analyzed. This facilitates necessary adjustments to the strategy. It ensures it remains attuned to the evolving needs and preferences of the market, thereby sustaining its effectiveness and relevance.

Example:

Apple gathering feedback on the initial version of its iOS software. It makes adjustments based on user suggestions and identified issues.

Review and Assessment

This final step involves periodic reviews to assess the strategy's effectiveness. It allows for a comprehensive evaluation and necessary recalibrations. This ensures the strategy aligns well with the organization's goals, fostering continuous improvement and steering it towards its envisioned success.

Example:

Samsung conducts a periodic review of its smartphone strategy. This is done to assess its effectiveness and make essential adjustments to stay competitive.

2.4 Successful Strategy Formulation:

Deep Market Research

Diving deep into market research ensures a comprehensive understanding of the current landscape, emerging trends, and customer preferences.

Example:

Netflix astutely observed the evolving consumer shift towards digital content. By transitioning from a DVD rental model to online streaming, they positioned themselves at the forefront of the entertainment industry, capitalizing on the burgeoning demand for on-demand content.

Leverage Core Competencies

Every organization possesses unique strengths and capabilities. By identifying and building upon these core competencies, businesses can carve a niche for themselves.

Example:

Apple has always prioritized design and innovation. This focus has enabled them to introduce products that set industry standards and resonate deeply with consumers.

Stakeholder Engagement

Engaging key stakeholders in the strategy formulation offers diverse insights and ensures widespread commitment to the chosen direction.

Example:

Starbucks exemplifies this by involving its baristas in product development. Such engagement has birthed popular innovations, like the Flat White, reflecting employee creativity and customer preferences.

Flexibility and Adaptability

While a clear strategic roadmap is invaluable, adapting to changing circumstances is equally crucial.

Example:

Microsoft showcased this adaptability by evolving its focus from the Windows OS to embrace the potential of cloud computing with Azure, thereby staying relevant and competitive in a rapidly changing tech landscape.

Continuous Monitoring and Feedback

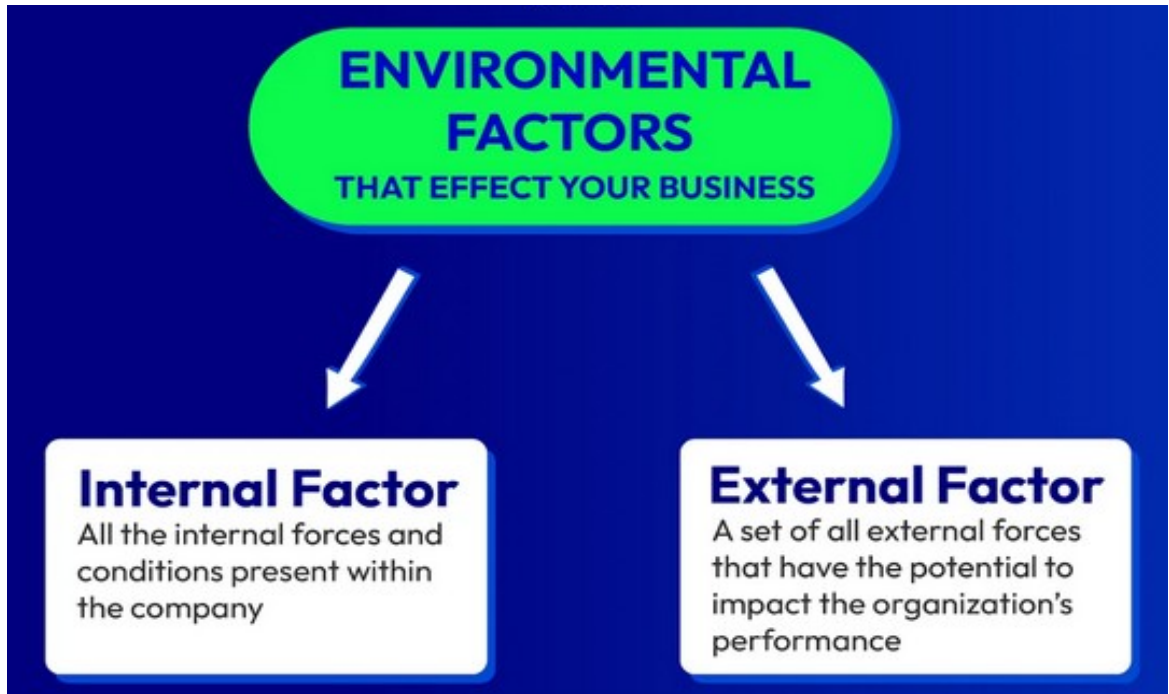
A successful strategy is not static; it requires regular reviews and adjustments based on performance metrics and stakeholder feedback.

Example:

Toyota employs this principle through its Kaizen approach, emphasizing continuous improvement. By consistently seeking feedback and making iterative refinements, they maintain their reputation for quality and innovation in the automotive industry.

2.5 Business Environment:

A firm's environment represents all internal or external forces, factors, or conditions that exert some degree of impact on the strategies, decisions and actions taken by the firm. Environmental factors significantly influence business operations and decisions. Recognizing them is crucial for strategic planning and risk management, aligning strategies with market conditions, mitigating risks, and adapting to changes effectively. This understanding also facilitates seizing opportunities, complying with regulations, optimizing resources, and improving customer satisfaction, thereby supporting informed decision-making and sustainable business growth. There are two types of environment.



Internal Environment

Pertaining to the forces within the organization (Ex: Functional areas of management).

External Environment

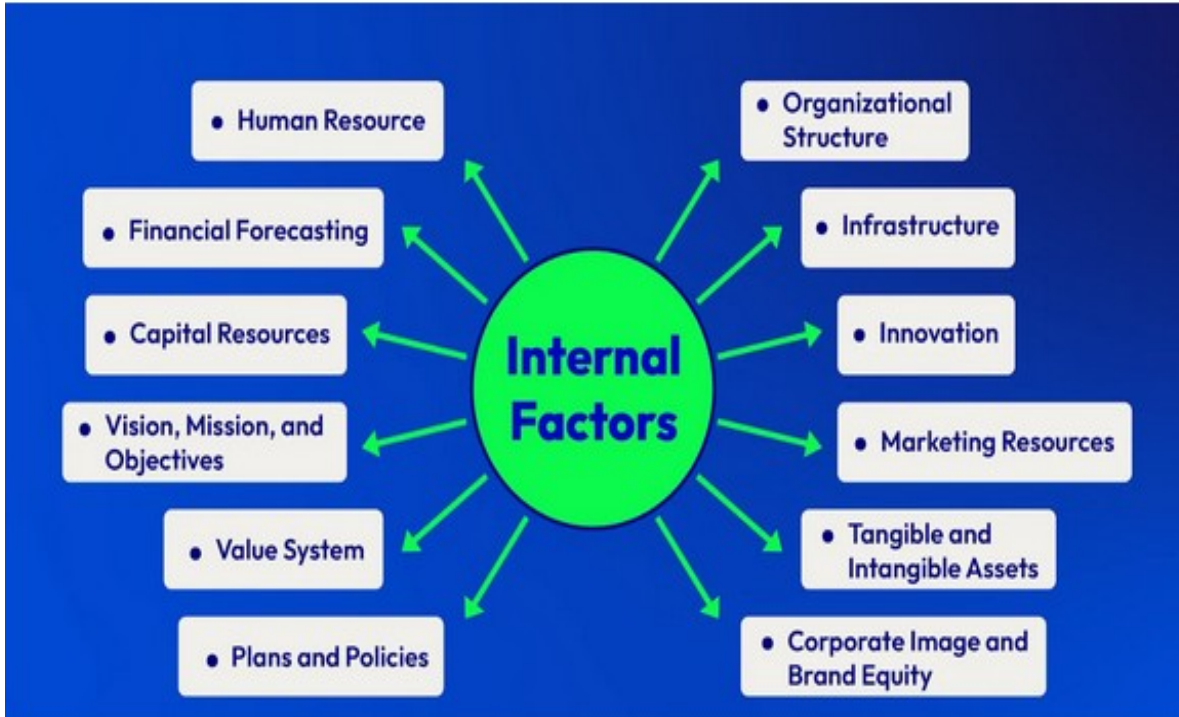
Pertaining to the external forces namely macro environment or general environment and micro environment or competitive environment (Ex: Macro environment - Political environment and Micro environment - Customers).

Comparison between Internal and External Factors:

Aspect	Internal Factors	External Factors
Definition	All the internal forces and conditions present within the company.	A set of all external forces that have the potential to impact the organization's performance, profitability, and functionality
Nature	Controllable	Uncontrollable
Include	Strengths and weaknesses	Opportunities and threats

Impact	Company only	All companies in the industry
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2.5.1 Internal Environment:



Internal factors include everything within the company’s control, whether physical or abstract. These factors are divided into strengths and weaknesses. Strengths are things that benefit the company, while weaknesses hold it back. Many different aspects of the company need to be carefully considered when evaluating these factors.

1. Human Resource

In today’s global economy, where economic value increasingly comes from ideas and digital skills rather than physical resources, human resources are crucial for businesses. The success of a company depends on its employees’ skills, competencies, attitudes towards work, and performance. Skilled and motivated workers are key assets to any enterprise. However, employees who lack training and show negative attitudes present

challenges. Effective human resource management is essential for company success and employee development, requiring strategic leadership from the CEO.

2. Capital Resources

Financial capital is crucial for a business's growth and sustainability. CEOs invest it in tangible assets like factories and equipment, and intangible resources such as marketing and employee training. Without capital, companies can't survive. With enough funds, they can launch projects, expand, and achieve great results. For example, in 2010, Coca-Cola spent 2.9 billion USD on marketing, more than Microsoft and Apple's combined marketing budgets, showing the importance of significant investment and stable finances for success. Companies can maintain stable budgets through investments, funding, and annual income.

3. Vision, Mission, and Objectives

Vision outlines the long-term goals and aspirations of the enterprise, showing what it aims to achieve. Mission describes the organization's purpose, its business activities, and the reason for its existence. Objectives are specific milestones set to be accomplished within a certain timeframe using available resources.

4. Value System

A value system is a set of consistent and logical principles adopted by a firm to guide its behavior and decision-making in various circumstances. It serves as a standard for regulating conduct within the organization.

5. Plans and Policies

Plans and policies are vital internal factors guiding organizational operations and decisions. Plans define strategic goals and necessary steps for growth, while policies establish rules for organizational behavior and operations. Together, they ensure consistency, efficiency, and accountability across the organization, aiding in resource management, risk reduction, and alignment with long-term objectives. Regular reviews and

updates enable organizations to stay agile and responsive, fostering sustainable success and resilience to external dynamics.

6. Organizational Structure

To have a suitable organizational structure requires the owners have to consider carefully set up a business management system to work smoothly within the company. Whether it is a centralized or decentralized system, the most important thing is how effective the structure is when applied for the company. The heads of departments or fractional CIOs need to make sure that the information flow is widely conveyed to all customers. Suitable rules and regulations are being applied to ensure the benefits of employees, and the business as well.

7. Infrastructure

When you already have well-trained and motivated workers, an effective operational and organizational system, make sure that the infrastructure of the company are good enough for all your functions. With the modern and high quality facilities, stable power, internet and wifi connection, and so on your company is likely to perform better. In other words, the better your infrastructure, the more opportunities for your company to perform successfully.

8. Innovation

In today's competitive marketplace, no company can thrive without adopting new ideas and technology. Innovation, whether from within the organization or external sources, boosts productivity, reduces costs, enhances competitiveness, improves brand value, and increases turnover. Companies that fail to innovate risk losing market share, profits, and key employees. To benefit from innovation, businesses must plan, encourage, and strategically invest in innovative initiatives.

9. Marketing Resources

Marketing resources encompass the tools, budgets, and personnel dedicated to promoting a business's products or services. This includes everything from advertising campaigns and market research to social media management and brand development. Effective marketing resources help a company increase its market share, build brand recognition, and attract and retain customers. Without strong marketing resources, a business may struggle to compete and communicate its value proposition effectively.

10. Tangible and Intangible Assets

Tangible assets are physical items owned by the company, such as land, buildings, machinery, and inventory. Intangible assets include non-physical resources like research and development, technological capabilities, marketing strategies, and financial resources.

11. Corporate Image and Brand Equity

Corporate image and brand equity are crucial internal factors that influence a company's success. Corporate Image is the comprehensive perception of a company or organization within the community, formed from the ideas, perceptions, and evaluations of the public, customers, shareholders, and employees about that company. Brand equity represents the value of the brand based on consumer recognition and loyalty. Both play significant roles in shaping the company's reputation and competitive advantage.

12. Financial Forecasting

Financial forecasting is essential for businesses. It predicts future financial outcomes based on past data, current trends, and market conditions. It aids in budgeting, risk management, and decision-making regarding investments and expenses. By forecasting revenues, expenses, and cash flows, businesses can allocate resources effectively, monitor performance, and adapt strategies as necessary. This process promotes financial stability, supports growth, and enhances transparency with stakeholders by communicating clear financial expectations.

2.5.2 External Environment:

It refers to the environment that has an indirect influence on the business. The factors are uncontrollable by the business. The two types of external environment are microenvironment and macro environment.

A) Micro Environmental Factors:

These are external factors close to the company that have a direct impact on the organizations process. These factors include

i) Shareholders

Any person or company that owns at least one share (a percentage of ownership) in a company is known as shareholder. A shareholder may also be referred to as a "stockholder". As organization requires greater inward investment for growth they face increasing pressure to move from private ownership to public. However this movement unleashes the forces of shareholder pressure on the strategy of organisations.

ii) Suppliers

An individual or an organization involved in the process of making a product or service available for use or consumption by a consumer or business user is known as supplier. Increase in raw material prices will have a knock on affect on the marketing mix strategy of an organization. Prices may be forced up as a result. A closer supplier relationship is one way of ensuring competitive and quality products for an organisation.

iii) Distributors

Entity that buys non-competing products or product-lines, warehouses them, and resells them to retailers or direct to the end users or customers is known as distributor. Most distributors provide strong manpower and cash support to the supplier or manufacturers promotional efforts. They usually also provide a range of services (such as product information, estimates, technical support, after-sales services, credit) to their

customers. Often getting products to the end customers can be a major issue for firms. The distributors used will determine the final price of the product and how it is presented to the end customer. When selling via retailers, for example, the retailer has control over where the products are displayed, how they are priced and how much they are promoted in-store. You can also gain a competitive advantage by using changing distribution channels.

iv) Customers

A person, company, or other entity which buys goods and services produced by another person, company, or other entity is known as customer. Organizations survive on the basis of meeting the needs, wants and providing benefits for their customers. Failure to do so will result in a failed business strategy.

v) Competitors

A company in the same industry or a similar industry which offers a similar product or service is known as competitor. The presence of one or more competitors can reduce the prices of goods and services as the companies attempt to gain a larger market share. Competition also requires companies to become more efficient in order to reduce costs. Fast food restaurants McDonalds and Burger King are competitors, as are Coca-Cola and Pepsi, and Wal-Mart and Target.

vi) Media

Positive or adverse media attention on an organisations product or service can in some cases make or break an organisation. Consumer programmes with a wider and more direct audience can also have a very powerful and positive impact, h forcing organisations to change their tactics.

b) Macro Environmental Factors:

i). Political Factors

Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some examples include

- tax policy
- employment laws
- environmental regulations
- trade restrictions and tariffs
- political stability

ii). Economic Factors

Economic factors affect the purchasing power of potential customers and the firms cost of capital. The following are examples of factors in the macro economy

- economic growth
- interest rates
- exchange rates
- inflation rate

iii). Social Factors

Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential markets. Some social factors include

- health consciousness
- population growth rate
- age distribution
- career attitudes
- emphasis on safety

iv). Technological Factors

Technological factors can lower barriers to entry, reduce minimum efficient production levels, and influence outsourcing decisions. Some technological factors include

- R&D activity
- automation
- technology incentives
- rate of technological change

v). Environmental Factors

Environmental factors are related to ecological and environmental aspects that affect business operations and decision-making. They focus on sustainability, waste management, and the impact of climate change on industries. Some environmental factors include

- Climate and weather conditions
- Environmental regulations and standards
- Sustainability initiatives
- Availability of natural resources

vi). Legal Factors

Legal factors involve the framework of laws and regulations within which businesses must operate. They determine the rules that influence employment, safety, consumer protection, and business ethics. Some legal factors include:

- Labour and employment laws
- Health and safety regulations
- Consumer protection laws
- Industry-specific compliance requirements

2.6 Environmental Scanning:

Environmental scanning is the process of continually acquiring information on events occurring outside the organization to identify and interpret potential trends. Environmental scanning is a process of gathering, analyzing, and dispensing information for tactical or strategic purposes. The environmental scanning process entails obtaining both factual and subjective information on the business environments in which a company is operating or consider entering.

Definitions

Daft and Weick (1984),

The way an organisation deciphers its environment in order to learn from it may be divided into three phases: scanning (information seeking), interpretation (giving meaning to the collected data) and learning (taking action based on the data).

Lester and Waters (1989)

Environmental scanning as a management process of using information from the environment to aid decision-making.

Hough and White (2004)

Environment scanning as a process of identifying, collecting, processing and translating information about external influences into useful plans and decisions

Objectives of Environmental Scanning:

1) Detecting scientific, technical, economic, social, and political trends and events important to the institution,

2) Defining the potential threats, opportunities, or changes for the institution implied by those trends and events,

3) Promoting a future orientation in the thinking of management and staff, and 4) Alerting management and staff to trends that are converging, diverging, speeding up, slowing down, or interacting.

4) Alerting management and staff to trends that are converging, diverging, speeding up, slowing down, or interacting.

Importance of Environmental Scanning:

External environment appraisal using the PESTEL framework involves analyzing six macro-environmental factors that can impact an organization: Political, Economic, Social, Technological, Environmental, and Legal. This analysis helps businesses identify opportunities and threats, inform strategic planning, and manage risk.

	Description & Key Considerations
Political	The influence of government policy and political stability on an economy or industry. Examples include tax policies, trade restrictions/tariffs, government stability, and foreign trade policies.
Economic	Macroeconomic factors that directly impact the economy's performance and a company's profitability and operations. Examples include economic growth/decline, inflation and interest rates, exchange rates, employment rates, and consumer spending power.
Social	Societal and cultural aspects of the market where the business operates. Examples include demographics (age distribution, population growth), cultural norms, lifestyle trends, health consciousness, and consumer attitudes and opinions.
Technological	The rate of technological innovation and development that could affect a market or industry. Examples include automation, research and development (R&D) activities, new ways of distributing goods and services, and access to new technologies.

Environmenta l	Ecological and environmental considerations that are increasingly important due to sustainability concerns and climate change. Examples include climate and weather, availability of natural resources, pollution/waste management, and sustainability practices.
Legal	The legal and regulatory framework within which a business operates. Examples include health and safety laws, employment/labor laws, consumer rights and protection, product labeling, and intellectual property laws.

How to Conduct a PESTEL Analysis:

Identify Relevant Factors:

Brainstorm and list the specific external factors within each of the six categories that are most likely to impact your organization or industry.

Gather Information:

Collect data and insights from reliable sources like government reports, industry publications, and market research for the identified factors.

Analyze the Impact:

Evaluate how each factor, and the interplay between them, presents potential opportunities to leverage or threats to mitigate.

Develop Strategies and Take Action:

Use the findings to inform strategic decision-making, such as adjusting marketing plans, developing new products, or creating risk mitigation plans.

Monitor and Update:

The external environment changes constantly, so the PESTEL analysis should be a regular, ongoing process (e.g., quarterly or semi-annually) to stay ahead of new trends and challenges.

By using PESTEL analysis, organizations gain a holistic view of their operating environment, enabling them to make more informed decisions and maintain a competitive advantage. It is often used in conjunction with other strategic tools like a SWOT analysis to provide a comprehensive view of both internal and external factors.

2.6 Competitors Analysis Using Porter's Five Forces Model

Competitor analysis is an important part of strategic management that helps an organization understand the nature and level of competition within its industry. Michael E. Porter's Five Forces Model provides a framework for analyzing the competitive forces that shape every industry and influence profitability. This model helps in identifying the strengths and weaknesses of a business relative to its competitors.

These forces are defined as follows

- a) The threat of the entry of new competitors
- b) The intensity of competitive rivalry
- c) The threat of substitute products or services
- d) The bargaining power of customers
- e) The bargaining power of suppliers

a) The threat of the entry of new competitors

The term suppliers comprise all sources for inputs that are needed in order to provide goods or services.

Supplier bargaining power is likely to be high when:

- The market is dominated by a few large suppliers rather than a fragmented source of supply
- There are no substitutes for the particular input

- The suppliers customers are fragmented, so their bargaining power is low
- The switching costs from one supplier to another are high
- There is the possibility of the supplier integrating forwards in order to obtain higher prices and margins

This threat is especially high when

- The buying industry has a higher profitability than the supplying industry
- Forward integration provides economies of scale for the supplier The buying industry hinders the supplying industry in their development (e.g. reluctance to accept new releases of products)
- The Buying industry has low barriers to entry.

In such situations, the buying industry often faces a high pressure on margins from their suppliers. The relationship to powerful suppliers can potentially reduce strategic options for the organization.

b) Bargaining Power of Customers

Similarly, the bargaining power of customers determines how much customers can impose pressure on margins and volumes. Customers bargaining power is likely to be high when

- They buy large volumes; there is a concentration of buyers
- The supplying industry comprises a large number of small operators
- The supplying industry operates with high fixed costs
- The product is undifferentiated and can be replaced by substitutes
- Switching to an alternative product is relatively simple and is not related to high costs
- Customers have low margins and are price sensitive
- Customers could produce the product themselves
- The product is not of strategic importance for the customer
- The customer knows about the production costs of the product

- There is the possibility for the customer integrating backwards.

c) Threat of New Entrants

The competition in an industry will be the higher; the easier it is for other companies to enter this industry. In such a situation, new entrants could change major determinants of the market environment (e.g. market shares, prices, customer loyalty) at any time. There is always a latent pressure for reaction and adjustment for existing players in this industry. The threat of new entries will depend on the extent to which there are barriers to entry.

These are typically

- Economies of scale (minimum size requirements for profitable operations),
- High initial investments and fixed costs
- Cost advantages of existing players due to experience curve effects of operation with fully depreciated assets
- Brand loyalty of customers
- Protected intellectual property like patents, licenses etc,
- Scarcity of important resources, e.g. qualified expert staff
- Access to raw materials is controlled by existing players ,Distribution channels are controlled by existing players
- Existing players have close customer relations, e.g. from long- term service contracts
- High switching costs for customers
- Legislation and government action

d) Threat of Substitutes

A threat from substitutes exists if there are alternative products with lower prices of better performance parameters for the same purpose. They could potentially attract a significant proportion of market volume and hence reduce the potential sales volume for

existing players. This category also relates to complementary products. Similarly to the threat of new entrants, the threat of substitutes is determined by factors like

- Brand loyalty of customers
- Close customer relationships
- Switching costs for customers
- The relative price for performance of substitutes
- Current trends.

e) Competitive Rivalry between Existing Players

This force describes the intensity of competition between existing players (companies) in an industry. High competitive pressure results in pressure on prices, margins, and hence, on profitability for every single company in the industry. Competition between existing players is likely to be high when

There are many players of about the same size

- Players have similar strategies
- There is not much differentiation between players and their products, hence, there is much price competition
- Low market growth rates (growth of a particular company is possible only at the expense of a competitor)
- Barriers for exit are high (e.g. expensive and highly specialized equipment)

2.7 Environmental Threat and Opportunity Profile (ETOP):

An environmental threat and opportunity profile (ETOP) is a strategic tool used to analyze an organization's external environment, identifying both potential threats and opportunities. This analysis involves dividing the environment into sectors (e.g., economic, political, technological) and examining the impact of each sector, often by subdividing into more specific sub-sectors, to inform strategic planning

ETOP analysis (environmental threat and opportunity profile) is the process by which organizations monitor their relevant environment to identify opportunities and threats affecting their business for the purpose of taking strategic decisions.

Key aspects of an ETOP:

Divides the environment:

The external environment is divided into different sectors, such as:

- Economic
- Political
- Social
- Technological
- Legal
- Market
- Ecological/Environmental

Analyzes impact:

For each sector, the analysis determines its potential impact on the organization, describing this impact in statements.

Identifies opportunities and threats:

By analyzing each sector, the organization can identify factors that present opportunities (e.g., growing consumer demand for electric cars) or threats (e.g., a competitor raising billions to lower costs).

Informs strategy:

The ultimate goal is to use this structured analysis to help managers make informed strategic decisions and plan proactively.

How an ETOP is conducted

Sector identification:

List the key external sectors that could affect the organization.

Sub-sector subdivision:

Break down each sector into more specific sub-factors for a deeper analysis (e.g., the "Social" sector could be broken down into demographic characteristics, social attitudes, and consumer awareness).

Impact assessment:

For each sub-sector, describe its impact on the organization as either a potential threat or opportunity.

Statement formulation:

Write out the impact of each sub-sector as a clear statement (e.g., "Growing consumer affluence positively impacts demand").

Prioritization:

Focus on the most critical issues and be accurate with the data collected, noting that a summary may only show the most significant factors for simplicity.

Need of ETOP:

- Helps organization to identify opportunities and threats
- To consolidate and strengthen organizations position
- Provides the strategists of which sectors have a favorable impact on the organization
- Help organization know where it stands with respect to its environment
- Helps in formulating appropriate strategy

- Helps in formulating SWOT analysis (Strategic weakness, opportunities and threats)

Steps in ETOP:

Environmental Scanning – Collect data on various external factors that influence the organization.

Categorization – Classify the collected information under broad environmental sectors such as economic, political, social, technological, and legal.

Assessment – Analyze the impact of each factor on the organization and identify whether it is a threat or an opportunity.

Preparation of ETOP Profile – Develop a summarized profile highlighting key opportunities and threats.

Strategy Formulation – Use the ETOP profile to design suitable strategies that minimize threats and maximise opportunities.

2.8 Components of Environmental Threat and Opportunity Profile:

1. Economic Environment

The economic environment plays a crucial role in determining the overall performance of any business. Factors such as inflation rate, GDP growth, interest rate, exchange rate, and income level directly influence business operations. When the nation's GDP is growing and people's income levels rise, purchasing power increases, creating greater demand for products and services. This provides significant opportunities for business expansion and investment. However, businesses must be cautious of inflation, as

rising costs of raw materials and production can affect profit margins. Overall, a stable and growing economy offers a favorable climate for business development and profitability.

2. Political Environment

The political environment includes elements such as government policies, taxation systems, trade regulations, and political stability. These factors can have both direct and indirect impacts on business activities. Frequent changes in policies or an unstable political situation can create uncertainty, which is often viewed as a threat. For instance, increased taxation or complex trade regulations may discourage investments or disrupt operations. On the other hand, supportive government initiatives, such as subsidies or business-friendly policies, can enhance growth prospects. Therefore, businesses must continuously monitor political trends and adapt strategies accordingly to minimize risks.

3. Technological Environment

Technological advancement is one of the key drivers of modern business success. Factors such as automation, innovation, digitalization, and R&D activities shape the competitive edge of organizations. The rapid development of new technologies encourages businesses to adopt modern production systems and digital tools to improve efficiency and reduce costs. Automation enhances productivity, while innovation helps in developing new products and services that meet changing customer needs. Therefore, the technological environment presents a high opportunity for organisations to strengthen their competitiveness and operational performance, changing customer needs. Therefore, the technological environment presents a high opportunity for organizations to strengthen their competitiveness and operational performance.

4. Social and Cultural Environment

The social and cultural environment refers to the attitudes, lifestyles, education levels, consumer preferences, and values of society. These factors influence customers' buying behaviour and product demand. Changes in social trends, such as the growing preference for health-conscious, eco-friendly, or convenience-based products, create new

business opportunities. Educated consumers are also more aware of quality and brand value, pushing companies to maintain higher standards. Businesses that understand and respond to these social changes can develop stronger customer relationships and gain a competitive advantage in the market.

5. Competitive Environment

Competition is a vital external factor that shapes business strategies. The competitive environment includes elements such as the entry of new firms, availability of substitute products, rivalry among competitors, and overall market share. Intense competition can pose a major threat by reducing profit margins and increasing pressure to improve quality, efficiency, and innovation. New entrants or substitute products can easily capture market share if existing companies fail to adapt. Therefore, organizations must continuously analyze their competitors and focus on differentiation strategies to maintain sustainability in a dynamic market.

6. Legal Environment

The legal environment covers the laws, rules, and regulations that govern business operations. These include labour laws, environmental standards, safety regulations, and intellectual property rights. Strict legal requirements often increase compliance costs, which can be seen as a threat. However, adhering to legal norms ensures that businesses operate ethically, avoid penalties, and maintain a good public image. Understanding the legal framework helps organizations reduce risks and build long-term trust with stakeholders.

7. Global Environment

The global environment consists of international trade trends, exchange rate fluctuations, and global competition. With globalization, businesses have access to larger markets and diverse resources. Expanding into international markets provides opportunities

for growth, increased brand recognition, and higher revenue. However, challenges such as fluctuating currency rates, trade restrictions, and foreign competition can also create risks. Therefore, businesses must develop strong international strategies to balance global opportunities with associated threats

2.9 Value Chain Analysis (VCA):

Value chain analysis is a strategic process of examining all the activities a business performs to create a product or service, from start to finish, to identify opportunities for increased efficiency, lower costs, and enhanced competitive advantage. It focuses on how each step adds value for the customer and involves analyzing both primary activities (like operations and marketing) and support activities (like human resources and technology).

Meaning

Value Chain Analysis is a strategic management tool that helps businesses identify and evaluate the various activities involved in producing goods or delivering services. It focuses on how each stage of production adds value to the final product and helps firms find opportunities to reduce costs or enhance customer satisfaction. The main objective of value chain analysis is to improve efficiency, maximize value creation, and build a competitive advantage in the market.

Concept by Michael E. Porter

The concept of the Value Chain was introduced by Michael E. Porter (1985) in his book *“Competitive Advantage: Creating and Sustaining Superior Performance.”* Porter explained that every business consists of a set of interrelated activities — from designing and producing a product to marketing, delivering, and supporting it. These activities together form the value chain, and analysing them helps an organization identify areas where it can create the most value for customers or reduce costs to gain a competitive advantage.

Objectives:

- Identify and differentiate value-adding and non-value-adding activities.
- To minimize costs and improve operational efficiency.
- To identify internal strengths and weaknesses of the firm.
- To enhance customer satisfaction through improved value delivery.
- To develop strategies for achieving sustainable competitive advantage

How it works

Break down activities:

The analysis breaks down a business's value chain into individual activities, from initial design to final delivery and after-sales service.

Analyze each step:

Each activity is then analyzed to understand how it contributes to the overall value and how it impacts costs.

Identify areas for improvement:

This evaluation helps identify where costs can be reduced, quality can be improved, or processes can be made more efficient to gain a competitive edge.

Components of Value Chain Analysis:

- A. Primary Activities
- B. Support Activities

A) Primary Activities

1. Inbound Logistics

Inbound logistics involves the processes of receiving, storing, and distributing raw materials or inputs used in production. It includes supplier relationships, transportation, material handling, and inventory control. Efficient inbound logistics ensure that materials are available on time, reducing delays and production costs.

2. Operations

Operations refer to the transformation of raw materials into finished goods or services. This includes manufacturing, packaging, assembly, and equipment maintenance. Effective operations management ensures efficiency, consistency, and quality in the production process, directly adding value to the final product.

3. Outbound Logistics

Outbound logistics deals with the storage, distribution, and delivery of finished products to customers or intermediaries. This includes warehousing, order processing, and transportation. A well-managed outbound logistics system ensures timely delivery, reduces distribution costs, and improves customer satisfaction.

4. Marketing and Sales

Marketing and sales activities focus on identifying customer needs, promoting products, and persuading customers to purchase. This includes advertising, pricing, branding, and sales force management. Effective marketing increases customer awareness and loyalty, directly contributing to revenue growth.

5. Service

Service activities include post-sale support such as installation, repair, maintenance, customer training, and complaint handling. Good service enhances customer satisfaction, builds long-term relationships, and strengthens brand reputation.

B. Support Activities

1. Firm Infrastructure

This includes organizational structure, strategic planning, finance, accounting, quality control, and overall management. Strong infrastructure supports smooth functioning and effective coordination among all departments in the organization.

2. Human Resource Management

Human Resource Management (HRM) focuses on recruiting, training, motivating, and retaining skilled employees. A well-managed workforce contributes to higher productivity, innovation, and overall business success.

3. Technology Development

Technology development refers to research and development (R&D), process improvement, and innovation in products and production techniques. The use of advanced technology can reduce costs, improve product quality, and create differentiation in the market.

6. Procurement

Procurement involves purchasing raw materials, machinery, equipment, and other inputs necessary for business operations. Effective procurement ensures high-quality materials at reasonable prices, helping reduce overall costs and improve efficiency.

2.10 Strategic Advantage Profile (SAP):

A strategic advantage profile (SAP) is a comprehensive analysis of an organization's strengths and weaknesses across key functional areas like marketing,

finance, production, and R&D. Its purpose is to understand the company's unique position in the market, identify competitive advantages that can be leveraged, and determine areas that need improvement to address threats.

A Strategic Advantage Profile is a systematic evaluation of an organization's internal strengths and weaknesses in various functional areas. It helps management identify the areas where the company has a competitive advantage and where improvement is needed. SAP provides a clear picture of the organization's internal environment, which forms the basis for strategic planning and decision-making.

Objectives of Strategic Advantage Profile:

- To identify the strengths and weaknesses of an organization.
- To assess internal capabilities and resources.
- To determine the competitive position of the firm.
- To support effective strategic formulation.
- To enhance organizational performance by building on strengths.

Components of Strategic Advantage Profile:

1. Financial Strength

Financial strength refers to the company's ability to generate profits and manage resources effectively. It includes factors such as profitability, capital structure, and liquidity position. Strong financial base enables the firm to invest in growth and innovation. It also improves stability and helps in facing market risks confidently. Hence, analyzing financial performance is crucial for competitive advantage.

2. Marketing Capability

Marketing capability measures how effectively a company can promote and sell its products. It includes brand reputation, customer loyalty, distribution systems, and

advertising strength. A strong marketing base helps attract and retain customers. It also assists in building trust and market share. Therefore, marketing capability is a key driver of long-term success.

3. Production Capability

Production capability deals with the efficiency and quality of the manufacturing process. It involves the use of modern technology, equipment, and skilled labor. Higher production efficiency reduces costs and increases competitiveness. Quality production also ensures customer satisfaction and brand value. Thus, strong production systems create sustainable advantages.

4. Research and Development (R&D)

R&D capability determines a firm's ability to innovate and introduce new products. It focuses on product improvement, technology development, and process enhancement. A company with strong R&D can adapt to market changes quickly. Innovation keeps the business ahead of competitors. Hence, R&D plays a vital role in achieving long-term growth.

5. Human Resource Capability

Human resource capability refers to the knowledge, skills, and motivation of employees. Well-trained and committed employees improve productivity and service quality. Efficient HR management also builds teamwork and leadership. It ensures that the organization's goals are achieved effectively. Thus, human resources are considered a key internal strength.

6. Management Competence

Management competence involves the decision-making ability and leadership quality of managers. It includes planning, organizing, controlling, and leading effectively. Competent management ensures proper resource allocation and smooth functioning. It also

guides the organization toward achieving strategic goals. Therefore, strong managerial capability determines the success of any strategy.

2.11 Scanning Functional Resources and Capabilities for Building Organizational Capability Profile (OCP):

Scanning functional resources and capabilities is a critical step in building an organizational capability profile. This process involves a systematic audit of a company's traditional functional areas to identify inherent strengths and weaknesses that support or hinder the organization's strategic goals.

1. Concept

Scanning functional resources and capabilities is a crucial part of internal environment analysis in strategic management. It involves evaluating the resources and competencies of different functional areas such as production, marketing, finance, human resources, and research & development. The objective is to identify the organization's strengths and weaknesses and understand how these can be leveraged to achieve sustainable competitive advantage. The final outcome of this process is the development of an Organizational Capability Profile (OCP), which serves as a blueprint of the firm's internal capabilities.

2. Meaning of Functional Resources

Functional resources refer to all the tangible and intangible assets owned or controlled by an organization within each functional area. These include physical resources (machines, equipment, facilities), financial resources (capital, cash flow), human resources (skills, knowledge, motivation), and technological resources (software, patents, innovation systems). Each function uses its resources to perform specialized activities, and their effective coordination contributes to overall organizational performance.

3. Understanding Capabilities and Competencies

Capabilities represent the firm's ability to utilize its resources effectively to perform tasks and achieve objectives. Unlike resources, which are the inputs, capabilities reflect how efficiently these inputs are combined and used. When a capability becomes superior and hard to imitate, it evolves into a core or distinctive competence. These competencies form the foundation for achieving sustainable competitive advantage and long-term organizational success.

4. Steps in Scanning Functional Resources and Capabilities:

Identification of Functional Areas: List all major functional departments such as production, marketing, finance, HR, and R&D.

Data Collection: Gather quantitative and qualitative data on available resources, performance indicators, and processes.

Evaluation: Assess the efficiency, effectiveness, and adequacy of each resource and capability.

Comparison: Benchmark against competitors and best practices.

Documentation: Summarize findings in an Organizational Capability Profile (OCP) showing strengths, weaknesses, and improvement areas.

5. Scanning of Major Functional Areas:

I) Production and Operations

This function deals with the process of converting inputs into finished goods or services. Scanning focuses on factors such as production capacity, technology used, quality control, process efficiency, and cost management. A strong production system ensures consistent product quality and cost competitiveness, contributing significantly to customer satisfaction and market share.

II) Marketing and Sales

Marketing resource scanning involves analyzing brand strength, customer loyalty, market share, promotional activities, and distribution networks. Capabilities such as market segmentation, customer relationship management, and product differentiation determine the firm's market position. Effective marketing capabilities help in identifying customer needs and responding proactively to market changes.

III) Financial Management

This area focuses on the financial soundness and decision-making ability of the organization. The scan examines liquidity, capital structure, profitability, and investment capabilities. Strong financial management provides the necessary stability for business expansion and innovation. It also ensures optimal utilization of funds and risk control through efficient budgeting and forecasting.

(IV) Human Resource Management

HR scanning evaluates the availability of skilled manpower, training systems, motivation, leadership, and organizational culture. Capabilities such as talent acquisition, performance management, and employee development are analyzed. A motivated and well-trained workforce enhances productivity and fosters innovation, which are key drivers of competitive strength.

V) Research and Development (R&D)

R&D focuses on innovation, product development, and technological advancement. Scanning this function involves assessing R&D investment levels, number of innovations, speed of new product launches, and collaboration with research institutions. High R&D capability enables organizations to create unique products and adapt quickly to technological changes.

VI) Information Technology (IT) and Digital Resources

Modern organizations rely heavily on IT infrastructure for efficiency and data-driven decision making. Scanning includes evaluating systems integration, data security,

software applications, and digital transformation initiatives. Strong IT capabilities support communication, analytics and automation, enhancing overall organizational responsiveness.

VII) Analytical Tools for Capability Assessment:

Value Chain Analysis: Identifies value-creating and cost-incurring activities within each function.

VRIO Framework (Value, Rarity, Imitability, Organization): Evaluates whether a resource or capability can provide a sustained competitive advantage.

Benchmarking: Compares internal performance with best-in-class organizations.

SWOT Analysis: Integrates internal strengths and weaknesses with external opportunities and threats.

Capability Maturity Model: Measures the development level of each capability from basic to advanced stages.

VIII) Building the Organizational Capability Profile (OCP)

The Organizational Capability Profile is a structured summary of the organization's strengths and weaknesses across all functional areas. It identifies which resources and capabilities provide competitive advantage and which require improvement. The OCP typically includes columns for functional areas, key resources, capability rating, strategic importance, and action plans. This profile helps management align internal capabilities with external opportunities for effective strategy formulation.

2.12 SWOT Analysis:

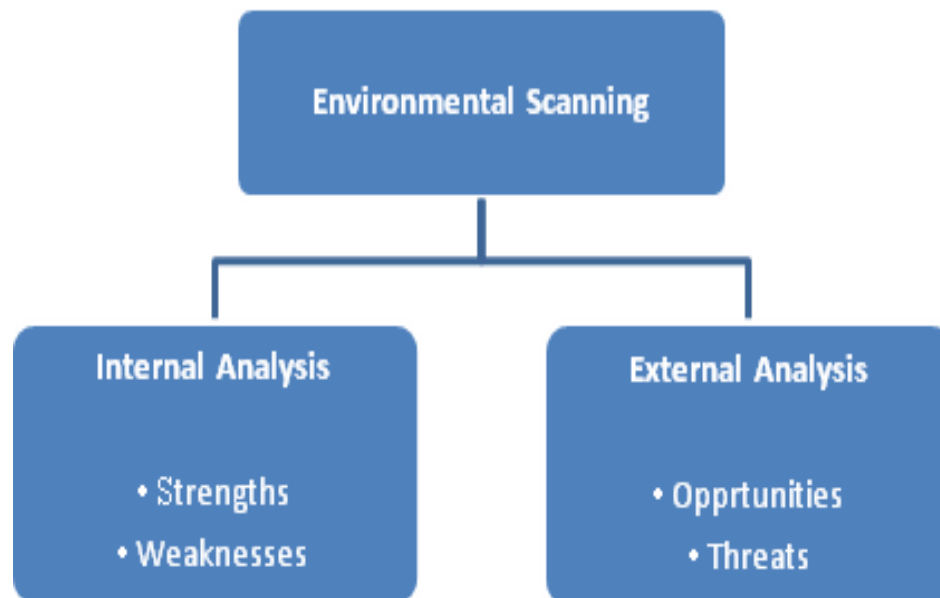
A SWOT analysis is a strategic planning tool used to identify an organization's Strengths, Weaknesses, Opportunities, and Threats. It helps businesses and individuals understand their internal and external factors to make informed decisions, develop

strategies, and improve their competitive position. Strengths and weaknesses are internal, while opportunities and threats are external factors.

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a SWOT analysis.

The SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection. The following diagram shows how a SWOT analysis fits into an environmental scan

1. Strengths



A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage. Examples of such strengths include:

- patents
- strong brand names
- good reputation among customers

- cost advantages from proprietary know-how
- exclusive access to high grade natural resources
- favorable access to distribution networks

2. Weaknesses

The absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered weaknesses:

- lack of patent protection
- a weak brand name
- poor reputation among customers
- high cost structure
- lack of access to the best natural resources
- lack of access to key distribution channels

3. Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include

- an unfulfilled customer need
- arrival of new technologies
- loosening of regulations
- removal of international trade barriers

4. Threats

Changes in the external environmental also may present threats to the firm. Some examples of such threats include

- shifts in consumer tastes away from the firm's products
- emergence of substitute products
- new regulations

- increased trade barriers

2.13 The SWOT Matrix:

A SWOT matrix is a strategic planning tool that helps organizations identify and analyze their Strengths, Weaknesses, Opportunities, and Threats. Strengths and weaknesses are internal factors, while opportunities and threats are external. The matrix is a 2x2 grid, used to evaluate a company's or project's position and inform strategic decision-making.

A firm should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities. In some cases, the firm can overcome a weakness in order to prepare itself to pursue a compelling opportunity. To develop strategies that take into account the SWOT profile, a matrix of these factors can be constructed. The SWOT matrix (also known as a TOWS Matrix) is shown below

ENVIRONMENTAL FACTORS		INTERNAL	
		Strengths	Weaknesses
EXTERNAL	Opportunities	S-O strategies	W-O strategies
	Threats	S-T strategies	W-T strategies

S-O strategies pursue opportunities that are a good fit to the company's strengths.

W-O strategies overcome weaknesses to pursue opportunities.

S-T strategies identify ways that the firm can use its strengths to reduce its vulnerability to external threats.

W-T strategies establish a defensive plan to prevent the firm's weaknesses from making it highly susceptible to external threats.

Components of a SWOT Matrix:

Strengths:

Internal positive attributes that give an advantage over competitors.

Weaknesses:

Internal negative attributes that place an organization at a disadvantage.

Opportunities:

External factors that can be exploited to the organization's benefit.

Threats:

External factors that could cause trouble or harm the organization's success.

How to create a SWOT matrix:

Define the objective:

Clearly state the goal of the analysis at the top of the page.

Create the grid:

Draw a 2x2 grid and label the four quadrants: Strengths, Weaknesses, Opportunities, and Threats.

Populate the quadrants:

List the relevant factors for each category. Strengths and weaknesses are internal factors, while opportunities and threats are external.

Analyze the findings:

Examine the information to identify how internal strengths can be used to take advantage of opportunities, how weaknesses can be minimized, and how threats can be mitigated.

Develop a strategy:

Use the insights to formulate a plan, make decisions, or adjust objectives as needed.

Check Your Progress

Choose the Correct Answer:

1. PESTEL analysis mainly helps an organization to analyze:

- a) internal resources
- b) external macro-environmental factors
- c) competitors' financial statements
- d) employee performance

Answer: b) external macro-environmental factors

2. In Porter's Five Forces model, which force refers to the possibility of new companies entering the industry?

- a) bargaining power of suppliers
- b) threat of substitute products
- c) threat of new entrants
- d) competitive rivalry

Answer: c) threat of substitute products

3. ETOP (Environmental Threat and Opportunity Profile) is used to:

- a) analyze employee skills
- b) identify external opportunities and threats
- c) measure company profitability
- d) evaluate marketing strategies

Answer: b) identify external opportunities and threats

4. Value chain analysis focuses on:

- a) improving shareholder value
- b) identifying activities that create competitive advantage
- c) measuring employee satisfaction
- d) determining product price

Answer: b) identifying activities that create competitive advantage

5. In SWOT analysis, which component represents internal positive factors?

- a) weaknesses
- b) opportunities
- c) strengths
- d) threats

Answer: c) strengths

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	What is PESTEL analysis?	CO1	Remember	PO1
2	List the five forces in Porter's Five Forces model.	CO1	Understand	PO1
3	What is ETOP in strategic management?	CO2	Remember	PO2
4	Define Value Chain Analysis.	CO2	Understand	PO2
5	What does SWOT analysis stand for?	CO3	Remember	PO1

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the concept of PESTEL analysis and its importance in environmental scanning.	CO1	Understand	PO1
2	Describe Porter's Five Forces model and its role in competitor analysis.	CO2	Analyze	PO2
3	Explain the Environmental Threat and Opportunity Profile (ETOP) with examples.	CO2	Understand	PO2
4	Discuss the concept of Value Chain Analysis and how it helps in gaining competitive advantage.	CO3	Analyze	PO3
5	Explain SWOT analysis and its significance in strategic decision making.	CO3	Evaluate	PO3

UNIT - III

CORPORATE PORTFOLIO ANALYSIS

3.0 Introduction

Corporate Portfolio Analysis is a strategic management technique used to evaluate a company's diverse business units or products to determine the optimal allocation of resources, balance risk and return, and align all components with long-term strategic goals. This process helps management decide which business units should receive more or less investment, which to grow, and which to divest.

3.1 Corporate Portfolio Analysis

When the company is in more than one business, it can select more than one strategic alternative depending upon demand of the situation prevailing in the different portfolios. It is necessary to analyze the position of different business of the business house which is done by corporate portfolio analysis. Portfolio analysis is an analytical tool which views a corporation as a basket or portfolio of products or business units to be managed for the best possible returns. When an organization has a number of products in its portfolio, it is quite likely that they will be in different stages of development. Some will be relatively new and some much older. Many organizations will not wish to risk having all their products at the same stage of development. It is useful to have some products with limited growth but producing profits steadily, and some products with real growth potential but may still be in the introductory stage. Indeed, the products that are earning steadily may be used to fund the development of those that will provide the growth and profits in the future. So the key strategy is to produce a balanced portfolio of products, some with low risk but dull growth and some with high risk but great potential for growth and profits. This is what we call as portfolio analysis.

The aim of portfolio analysis is

- 1) To analyse its current business portfolio and decide which businesses should

receive more or less investment

2) To develop growth strategies, for adding new businesses to the portfolio

3) To decide which business should not longer be retained

KEY MODELS AND TOOLS:

Several matrices are used to visualize and guide the analysis, with the most common being:

BCG Matrix (Boston Consulting Group Matrix)

This matrix classifies a company's offerings into four categories based on their market growth rate and relative market share.

Stars

High growth, high market share. These require heavy investment to maintain their lead but generate significant returns.

Cash Cows

Low growth, high market share. These are established products that generate substantial cash flow with minimal investment, which can be used to fund other areas (e.g., Stars and Question Marks).

Question Marks (Problem Children)

High growth, low market share. These require careful consideration; they have potential but also high risk, and management must decide whether to invest heavily to build market share or divest.

Dogs

Low growth, low market share. These units neither generate nor consume much

cash and are often candidates for divestment or restructuring.

GE/McKinsey Matrix

This more detailed nine-cell grid evaluates business units based on two broad dimensions: industry attractiveness and business unit strength. This allows for a more nuanced assessment than the BCG's four boxes, leading to strategies like "Invest and Grow," "Selectively Maintain," or "Harvest or Divest".

Ansoff Matrix

While more of a growth strategy tool, it helps in identifying expansion opportunities by considering existing and new products in existing and new markets (market penetration, market development, product development, and diversification).

3.2 THE ANALYSIS PROCESS:

A typical corporate portfolio analysis involves a systematic approach:

List All Business Units:

Identify all products, services, or Strategic Business Units (SBUs) within the organization.

Evaluate Performance Metrics:

Gather data on key metrics such as profitability, market share, growth potential, and risk for each unit.

Apply Analytical Tools:

Use a suitable framework (e.g., BCG or GE matrix) to categorize the business units based on the gathered data.

Develop Strategic Plans:

Based on the position in the matrix, decide on a strategy for each unit: invest, maintain, or divest.

Monitor and Review:

Continuously track performance and market changes to ensure the portfolio remains aligned with the company's long-term goals and adjust strategies as needed.

3.3 PURPOSE AND BENEFITS:

The primary goals of corporate portfolio analysis include:

Optimal Resource Allocation:

Prioritizing where to invest limited resources for the best possible returns.

Risk Management:

Diversifying investments across different units and markets to reduce vulnerability to market fluctuations.

Improved Decision-Making:

Providing a data-driven, strategic framework for making informed decisions about growth and divestment.

Alignment with Goals:

Ensuring that all business units and initiatives support the overall corporate mission and vision.

3.4 Strategic Alternatives at the Corporate Level

At the corporate level, strategic alternatives refer to the different options available to

an organization for achieving long-term growth, profitability, and sustainability. These strategies are concerned with the overall scope and direction of the organization and how value will be added to the different business units.

The major **corporate-level strategic alternatives** include:

1. Stability Strategy

A stability strategy is adopted when the organization decides to maintain its current business operations and market position. It focuses on sustaining existing performance rather than expansion or diversification. This strategy is suitable for firms operating in a stable environment or when management wants to consolidate resources. Example: Continuing with the same products in existing markets.

2. Expansion (Growth) Strategy

This strategy aims at achieving significant growth in sales, profits, or market share. It can be achieved through internal development (introducing new products or entering new markets) or external development (mergers, acquisitions, joint ventures).

Types of Expansion:

- ❖ **Intensive growth** (market penetration, market development, product development)
- ❖ **Integrative growth** (backward or forward integration)
- ❖ **Diversification** (related or unrelated).

3. Retrenchment Strategy

This strategy is adopted when the organization needs to reduce its operations due to declining performance, financial problems, or a shrinking market. The goal is to cut costs, divest unprofitable units, or restructure operations for survival.

Forms of retrenchment:

- ❖ **Turnaround strategy** – Reviving poor-performing businesses

- ❖ **Divestment** – Selling a division or business unit
- ❖ **Liquidation** – Closing down the business when revival is not possible.

4. Combination Strategy

A combination strategy involves the simultaneous or sequential use of more than one strategy. For example, a firm may adopt expansion in one business unit while retrenching another. This approach provides flexibility in managing a diversified portfolio of businesses.

5. Diversification Strategy

This strategy involves entering into new businesses that are different from the company's existing operations. It helps reduce risk and dependency on one product or market.

Types:

Related diversification – New business is related to existing activities (e.g., a dairy company starting cheese production).

Unrelated diversification – New business is completely different from the existing one (e.g., a dairy firm entering the clothing industry).

3.5 Concept of Grand Strategies

Grand strategies are comprehensive, long-term plans designed by top management to achieve the overall objectives of an organization. They serve as a broad framework for guiding managerial decisions and organizational actions toward desired goals. Grand strategies define the overall direction a company intends to follow to ensure growth, stability, or recovery depending on the business situation. They help in aligning organizational resources, capabilities, and policies with environmental opportunities and challenges. These strategies provide a sense of purpose and direction to all levels of management, ensuring coordination and consistency in achieving long-term success. Common types of grand strategies include stability, growth, retrenchment, and

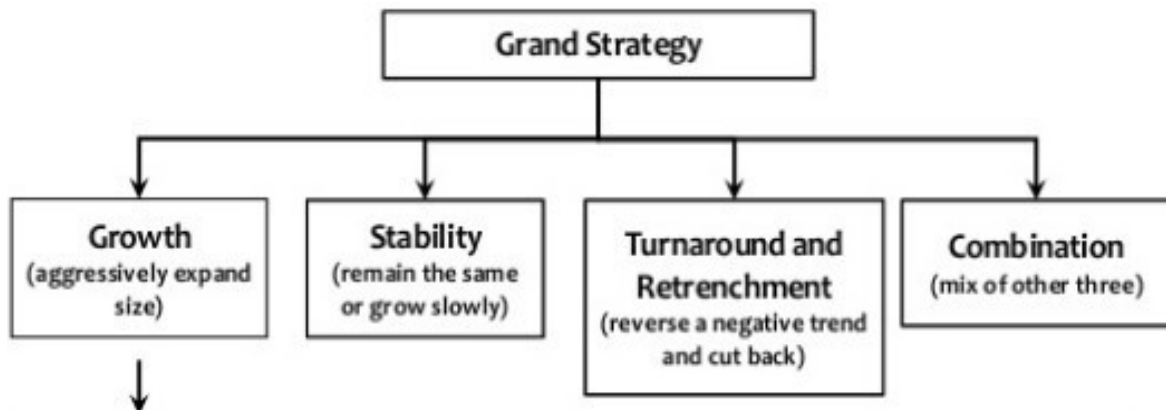
combination strategies, each selected based on the firm's internal strengths, market conditions, and competitive position. In essence, grand strategies form the foundation of corporate strategic planning, helping organizations to sustain and strengthen their position in a dynamic business environment.

3.5.1 Grand Strategy Objectives

To achieve long-term prosperity, strategic planners commonly establish long-term objectives in seven areas;

- (a) Profitability
- (b) Productivity
- (c) Employee Relations
- (d) Competitive position
- (e) Technological
- (f) Leadership
- (g) Employee Development
- (h) Public Responsibility

3.5.2 Grand Strategies - Types



(I) Growth Strategy

A growth strategy is a plan to expand a business by increasing revenue and market share through methods like entering new markets, developing new products, and acquiring other companies. It provides a roadmap for achieving business goals by outlining actions related to people, products, and tactics, while also setting clear objectives for long-term development. Key strategies include market penetration (more sales to existing customers), product development (new products for existing customers), market development (existing products in new markets), and diversification (new products for new markets).

(II) Stability Strategy

The Stability Strategy is adopted when the organization attempts to maintain its current position and focuses only on the incremental improvement by merely changing one or more of its business operations in the perspective of customer groups, customer functions and technology alternatives, either individually or collectively.

Generally, the stability strategy is adopted by the firms that are risk averse, usually the small scale businesses or if the market conditions are not favorable, and the firm is satisfied with its performance, then it will not make any significant changes in its business operations. Also, the firms, which are slow and reluctant to change finds the stability strategy safe and do not look for any other options.

To have a better understanding of Stability Strategy go through the following examples in the context of customer groups, customer functions and technology alternatives.

The publication house offers special services to the educational institutions apart from its consumer sale through the market intermediaries, with the intention to facilitate a bulk buying. The electronics company provides better after-sales services to its customers to make the customer happy and improve its product image.

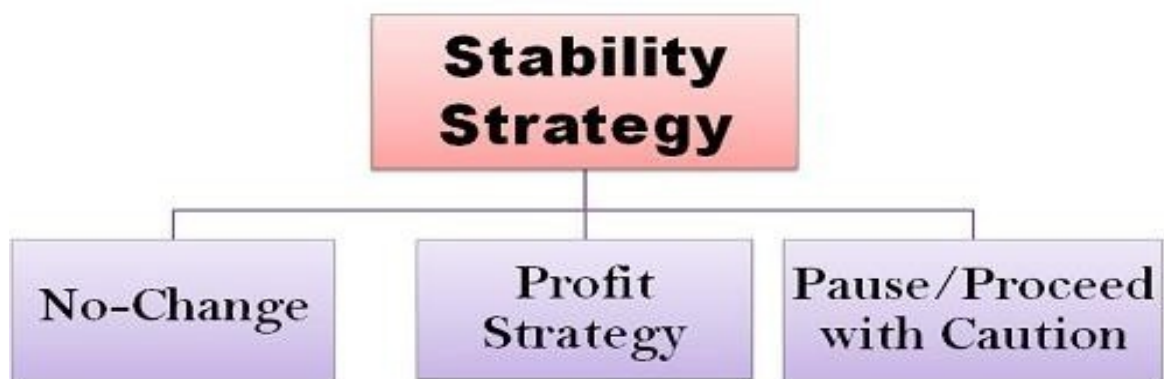
The biscuit manufacturing company improves its existing technology to have the

efficient productivity.

In all the above examples, the companies are not making any significant changes in their operations; they are serving the same customers with the same products using the same technology.

Example: Steel Authority of India has adopted stability strategy because of overcapacity in steel sector. Instead it has concentrated on increasing operational efficiency of its various plants rather than going for expansion. Other industries are heavy commercial vehicle, coal industry

3.5.3 Stability Strategies could be of three types:



(a) No - Change Strategy

The No-Change Strategy, as the name itself suggests, is the stability strategy followed when an organization aims at maintaining the present business definition. Simply, the decision of not doing anything new and continuing with the existing business operations and the practices referred to as a no-change strategy.

When the environment seems to be stable, i.e. no threats from the competitors, no economic disturbances, no change in the strengths and weaknesses, a firm may decide to continue with its present position. Therefore, by analyzing both the internal and external environments, a firm may decide to continue with its present strategy.

The no-change strategy does not imply that no decision has been taken by the firm, however, taking no decision can sometimes be a decision itself. There should be a clear distinction between the firms which are inactive and do not want to make changes in their strategies and the ones which consciously decides to continue with their present business definition by scrutinizing both the internal and external conditions.

Generally, the small or mid-sized firms catering to the needs of a niche market, which is limited in scope, rely on the no-change strategy. This stability strategy is suitable till no new threats emerge in the market, and the firm feels the need to alter its present position.

Example: Cigarette, liquor industries fall in this category because of strict control over capacity expansion. Both these industries require license under the provisions of Industries (Development and Regulations) Act, 1951.

(b) Profit Strategy

The Profit Strategy is followed when an organization aims to maintain the profit by whatever means possible. Due to lower profitability, the firm may cut costs, reduce investments, raise prices, increase productivity or adopt any methods to overcome the temporary difficulties. The profit strategy can be followed when the problems are temporary or short-lived and will go away with time. The problems could be the economic recession or inflation, industry downturn, worst market conditions, competitive pressure, government policies and the like. Till then, the firm adopts the artificial measures to tackle these problems and sustain the profitability of the firm. If the problem persists for long, then profit strategy would only deteriorate the firm's overall financial position. In the crisis, the companies may overcome the temporary difficulties by selling the assets such as land or building or setting off the losses of one division against the profits of another division. Also, the firms may offer the outsourcing facilities to those firms who are in need of it and can realize the temporary cash.

The profit strategy focuses on capitalizing the situation when the obsolete technology or the old technology is to be replaced with the new one. Here no new

investment is made; the same technology is followed, at least partially with new technological domains.

Example: Sylvania, GE are among the firms that followed this strategy. They decided to stay in the vacuum tube market until the 'end of the game'.

(c) Pause/Proceed with Caution Strategy

The Pause/Proceed with Caution Strategy is well understood by the name itself, is a stability strategy followed when an organization wait and look at the market conditions before launching the full-fledged grand strategy. Also, the firm that has intensely followed the expansion strategy would wait till the time the new strategies seeps down the organizational levels and look at the changes in the organizational structure before taking the next step.

Like the Profit Strategy, the Pause/Proceed with Caution strategy is also a temporary strategy followed by the firms. But however, these both differ significantly; the profit strategy focuses on sustaining profitability until the temporary difficulties or the conditions become more hospitable. Whereas the Pause/Proceed with caution strategy is a deliberate action taken by the firm to postpone the strategic action till the best opportunity knocks at the door. Thus, waiting for the right strategy for the right time.

The pause/proceed with caution strategy is often followed by the manufacturing companies who study the market conditions thoroughly and then launch their new products into the market. It is more prevalent in the army attacks; wherein the reconnaissance party moves ahead to examine the situation before the troops, who comes in full strength to ultimately, attack the enemies.

Example: Hindustan Levers better known for soaps and detergents, produces substantial quantity of shoes and shoe uppers for the export market. In late 2000, it started selling a few thousand pairs in the cities to find out the market reaction. This is a pause proceed with caution strategy before it goes full steam into another FMCG sector that has a lot of potential.

(II) Expansion Strategy

The Expansion Strategy is adopted by an organization when it attempts to achieve a high growth as compared to its past achievements. In other words, when a firm aims to grow considerably by broadening the scope of one of its business operations in the perspective of customer groups, customer functions and technology alternatives, either individually or jointly, then it follows the Expansion Strategy. The reasons for the expansion could be survival, higher profits, increased prestige, economies of scale, larger market share, social benefits, etc. The expansion strategy is adopted by those firms who have managers with a high degree of achievement and recognition. Their aim is to grow, irrespective of the risk and the hurdles coming in the way.

Go through the examples below to further comprehend the understanding of the expansion strategy. These are in the context of customer groups, customer functions and technology alternatives.

The baby diaper company expands its customer groups by offering the diaper to old aged persons along with the babies.

The stock broking company offers the personalized services to the small investors apart from its normal dealings in shares and debentures with a view to having more business and a diversified risk.

The banks upgraded their data management system by recording the information on computers and reduced huge paperwork. This was done to improve the efficiency of the banks.

In all the examples above, companies have made significant changes to their customer groups, products, and the technology, so as to have a high growth.

(a) Expansion through Concentration

The Expansion through Concentration When an organization focuses on intensifying its core businesses with a view on expanding through either acquiring a new customer base

or diversifying its product portfolio, it is having a concentration strategy. The organization may follow any of the ways to practice Expansion through concentration:

(i) Market penetration strategy

It occurs when a company penetrates a market in which current or similar products already exist. A way to achieve this is by gaining competitor's customers (part of their market share).

- ❖ Adding channels of distribution or
- ❖ Changing content of advertising or promotion
- ❖ Frequently, changes in media selection, promotional appeals, and distribution are used to initiate this approach
- ❖ Product launch in New Market.

Divide the number of people who have purchased your product by the number of people in the targeted market to get your market. If you have a potential market of 100000 people and you have sold your product to 5000 people, then you have a market penetration of 0.05 or 5 percent.

Example: Nike features famous athletes in print and television ads designed to take market share within the athletic shoes business from Adidas and other rivals.

(ii) Market Development type of concentration

It involves taking existing products and trying to sell them within new markets. One way to reach a new market is to enter a new retail channel.

Example: Starbucks has stepped beyond selling coffee beans only in its stores and now sells beans in grocery stores. This enables star bucks to reach consumers that do not visit in the coffeehouses.

(iii) Product Development type of Concentration

The firms develop new products targeted to its existing market. Example: Coca-cola and Pepsi regularly introduce new varieties – such as Coco-cola zero and Pepsi Cherry Vanilla in an attempt to take market share from each other and from their smaller rivals.

Example: Bajaj Auto has undertaken all the above mentioned strategies.

(b) Expansion through Diversification

The Expansion through Diversification is followed when an organization aims at changing the business definition, i.e. either developing a new product or expanding into a new market, either individually or jointly. A firm adopts the expansion through diversification strategy, to prepare itself to overcome the economic downturns. Generally, the diversification is made to set off the losses of one business with the profits of the other; that may have got affected due to the adverse market conditions

(c) Expansion through Integration

The Expansion through Integration means combining one or more present operation of the business with no change in the customer groups. This combination can be done through a value chain. The value chain comprises of interlinked activities performed by an organization right from the procurement of raw materials to the marketing of finished goods. Thus, a firm may move up or down the value chain to focus more comprehensively on the needs of the existing customers.

(d) Expansion through Cooperation

The Expansion through Cooperation is a strategy followed when an organization enters into a mutual agreement with the competitor to carry out the business operations and compete with one another at the same time, with the objective to expand the market potential.

(e) Expansion through Internationalization

The Expansion through Internationalization is the strategy followed by an

organization when it aims to expand beyond the national market. The need for the expansion through internationalization arises when an organization has explored all the potential to expand domestically and look for the expansion opportunities beyond the national boundaries.

But however, going global is not an easy task, the organization has to comply with the stringent benchmarks of price, quality and timely delivery of goods and services, that may vary from country to country.

The expansion through internationalization could be done by adopting either of the following strategies

(i) International Strategy

The firms adopt an international strategy to create value by offering those products and services to the foreign markets where these are not available. This can be done, by practicing a tight control over the operations in the overseas and providing the standardized products with little or no differentiation. Example: Harley Davidson

(ii) Multi-domestic Strategy

Under this strategy, the multi-domestic firms offer the customized products and services that match the local conditions operating in the foreign markets. Obviously, this could be a costly affair because the research and development, production and marketing are to be done keeping in mind the local conditions prevailing in different countries .Example: Heinz, Mc Donald's

(iii) Global Strategy

The global firms rely on low-cost structure and offer those products and services to the selected foreign markets in which they have the expertise. Thus, a standardized product or service is offered to the selected countries around the world. Example: Caterpillar, Texas Instruments

(iv) Transnational Strategy

Under this strategy, the firms adopt the combined approach of multi-domestic and global strategy. The firms rely on both the low cost structure and the local responsiveness i.e. according to the local conditions. Thus, a firm offers its standardized products and services and at the same time makes sure that it is in line with the local conditions prevailing in the country, where it is operating. Example: Coca-cola and Nestle

So, in order to globalize, the firm should assess the international environment first, and then should evaluate its own capabilities and plan the strategies accordingly to enter into the foreign markets.

(III) Retrenchment Strategy

The Retrenchment Strategy is adopted when an organization aims at reducing its one or more business operations with the view to cut expenses and reach to a more stable financial position. In other words, the strategy followed, when a firm decides to eliminate its activities through a considerable reduction in its business operations, in the perspective of customer groups, customer functions and technology alternatives, either individually or collectively is called as Retrenchment Strategy.

There are three types of Retrenchment Strategies:

(a) Turnaround Strategy

The Turnaround Strategy is a retrenchment strategy followed by an organization when it feels that the decision made earlier is wrong and needs to be undone before it damages the profitability of the company. Simply, turnaround strategy is backing out or retreating from the decision wrongly made earlier and transforming from a loss making company to a profit making company.

Now the question arises, when the firm should adopt the turnaround strategy? Following are certain indicators which make it mandatory for a firm to adopt this strategy for its survival. These are

- ❖ Continuous losses
- ❖ Poor management
- ❖ Wrong corporate strategies
- ❖ Persistent negative cash flows
- ❖ High employee attrition rate
- ❖ Poor quality of functional management
- ❖ Declining market share
- ❖ Uncompetitive products and services

Also, the need for a turnaround strategy arises because of the changes in the external environment Viz, change in the government policies, saturated demand for the product, a threat from the substitute products, changes in the tastes and preferences of the customers, etc.

Example: Dell is the best example of a turnaround strategy. In 2006, Dell announced the cost-cutting measures and to do so; it started selling its products directly, but unfortunately, it suffered huge losses. Then in 2007, Dell withdrew its direct selling strategy and started selling its computers through the retail outlets and today it is the second largest computer retailer in the world

(b) Liquidation Strategy

The Liquidation Strategy is the most unpleasant strategy adopted by the organization that includes selling off its assets and the final closure or winding up of the business operations. It is the most crucial and the last resort to retrenchment since it involves serious consequences such as a sense of failure, loss of future opportunities, spoiled market image, loss of employment for employees, etc.

The firm adopting the liquidation strategy may find it difficult to sell its assets because of the non-availability of buyers and also may not get adequate compensation for most of its assets. The following are the indicators that necessitate a firm to follow this strategy:

- ❖ Failure of corporate strategy
- ❖ Continuous losses
- ❖ Obsolete technology
- ❖ Outdated products/processes
- ❖ Business becoming unprofitable
- ❖ Poor management
- ❖ lack of integration between the divisions

Generally, small sized firms, proprietorship firms and the partnership firms follow the liquidation strategy more often than a company. The liquidation strategy is unpleasant, but closing a venture that is in losses is an optimum decision rather than continuing with its operations and suffering heaps of losses.

(c) Divestment Strategy

The Divestment Strategy is another form of retrenchment that includes the downsizing of the scope of the business. The firm is said to have followed the divestment strategy, when it sells or liquidates a portion of a business or one or more of its strategic business units or a major division, with the objective to revive its financial position.

The divestment is the opposite of investment; wherein the firm sells the portion of the business to realize cash and pay off its debt. Also, the firms follow the divestment strategy to shut down its less profitable division and allocate its resources to a more profitable one.

- ❖ An organization adopts the divestment strategy only when the turnaround strategy proved to be unsatisfactory or was ignored by the firm. Following are the indicators that mandate the firm to adopt this strategy
- ❖ Continuous negative cash flows from a particular division
- ❖ Unable to meet the competition
- ❖ Huge divisional losses
- ❖ Difficulty in integrating the business within the company
- ❖ Better alternatives of investment

- ❖ Lack of integration between the divisions
- ❖ Lack of technological up
- ❖ gradations due to non-affordability
- ❖ Market share is too small
- ❖ Legal pressure

Example: Tata Communications is the best example of divestment strategy. It has started the process of selling its data center business to reduce its debt burden.

(IV) Combination Strategy

The Combination Strategy means making the use of other grand strategies (stability, expansion or retrenchment) simultaneously. Simply, the combination of any grand strategy used by an organization in different businesses at the same time or in the same business at different times with an aim to improve its efficiency is called as a combination strategy.

Such strategy is followed when an organization is large and complex and consists of several businesses that lie in different industries, serving different purposes. Go through the following example to have a better understanding of the combination strategy:

A baby diaper manufacturing company augments its offering of diapers for the babies to have a wide range of its products (Stability) and at the same time, it also manufactures the diapers for old age people, thereby covering the other market segment (Expansion). In order to focus more on the diapers division, the company plans to shut down its baby wipes division and allocate its resources to the most profitable division (Retrenchment).

In the above example, the company is following all the three grand strategies with the objective of improving its performance. The strategist has to be very careful while selecting the combination strategy because it includes the scrutiny of the environment and the challenges each business operation faces. The Combination strategy can be followed either simultaneously or in the sequence.

3.6 Strategic Choice Models

Strategic choice models are frameworks and methods used to make decisions for long-term goals, involving steps like analysis, option evaluation, and implementation to achieve a competitive advantage. Popular models include the McKinsey 7S model, Balanced Scorecard, SWOT analysis, Porter's Five Forces, and the Strategy Choice Cascade, which provide structured approaches to complex decisions in dynamic environments. These models help managers think strategically, manage complexity, and ensure that decisions are aligned with overarching objectives.

Strategic choice models help organizations identify, evaluate, and select the most appropriate strategy to achieve their long-term goals. After analyzing the internal and external environment, managers must choose the best strategic alternative that aligns with organizational objectives and resources. These models provide a systematic approach to decision-making and ensure that strategic decisions are rational, consistent, and effective.

Example: Avon's move to market jewellery through its door- to –door sales force involved marketing new products through existing channels of distribution.

3.6.1 Key Models and Frameworks:

Strategy Choice Cascade:

A model for developing a coherent strategy by answering a series of interconnected questions, starting with defining a winning aspiration and moving through how to win, required capabilities, and the management systems to support them.

SWOT Analysis:

A framework for identifying a company's Strengths, Weaknesses, Opportunities, and Threats to help form strategy.

Porter's Five Forces:

A model for analyzing the competitive intensity and attractiveness of an industry by evaluating factors like the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitutes, and the intensity of rivalry.

McKinsey 7S Model:

An approach to evaluate and align a company's strategy with its internal structure, systems, style, staff, skills, and shared values.

Balanced Scorecard (BSC):

A strategic performance management framework that provides a more comprehensive view beyond just financial measures, often including perspectives like financial, customer, internal processes, and learning and growth.

VRIO Framework:

A tool for analyzing a firm's resources and capabilities to determine if they can be a source of sustainable competitive advantage. VRIO stands for Value, Rarity, Imitability, and Organization.

PEST/PESTLE Analysis:

A framework for analyzing the macro-environmental factors that can impact an organization, such as Political, Economic, Social, Technological, Legal, and Environmental factors.

Ansoff Matrix:

A tool used for market-product strategizing, which helps businesses decide on growth strategies by considering market penetration, market development, product development, and diversification.

General Strategic Choice Process:

While specific models differ, the process of making a strategic choice generally follows a structured approach:

Problem Identification:

Clearly define the problem or opportunity to be addressed.

Data Gathering:

Collect and analyze relevant quantitative and qualitative data.

Analysis:

Identify patterns and insights from the data and consider multiple scenarios.

Choosing a Course of Action:

Evaluate different options based on strategic objectives and select the best path forward.

Implementation:

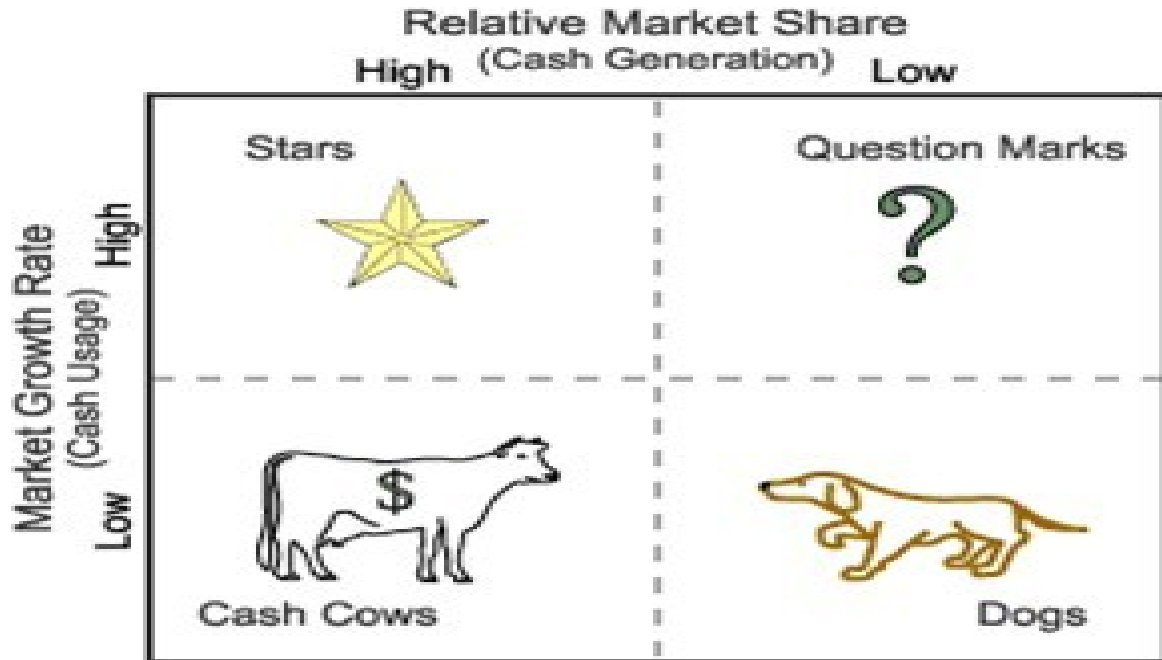
Execute the decision with clear communication and resource allocation.

Evaluation:

Monitor the outcomes and make adjustments as needed, using feedback for future decision-making.

3.7 BCG MATRIX

The BCG matrix was developed by Boston Consulting group in 1970s. It is also called as the growth share matrix. This is the most popular and simplest matrix to describe



the corporation's portfolio of businesses or products. The BCG matrix helps to determine priorities in a product portfolio. Its basic purpose is to invest where there is growth from which the firm can benefit, and divest those businesses that have low market share and low growth prospects. Each of the products or business units is plotted on a two dimensional matrix consisting of a) relative market share – is the ratio of the market share of the concerned product or business unit in the industry divided by the share of the market leader b) market growth rate – is the percentage of market growth, by which sales of a particular product or business unit has increased

Analysis of the BCG Matrix

The matrix reflects the contribution of the products or business units to its cash flow. Based on this analysis, the products or business units are classified as;

- i) tars

ii) Cash cows

iii) Question marks

iv) Dogs

i) Stars –high growth, high market share

Stars are products that enjoy a relatively high market share in a strongly growing market. They are potentially profitable and may grow further to become an important product or category for the company. The firm should focus on and invest in these products or business units. The general features of stars are

- High growth rate means they need heavy investment
- High market share means they have economies of scale and generate large amount of cash

But they need more cash than they generate The high growth rate will mean that they will need heavy investment and will therefore be cash users. Overall, the general strategy is to take cash from the cash cows to fund stars. Cash may also be invested selectively in some problem children (question marks) to turn them into stars. The other problem children may be milked or even sold to provide funds elsewhere. Over the time, all growth may slow down and the stars may eventually become cash cows. If they cannot hold market share, they may even become dogs.

ii) Cash Cows – Low growth, high market share

These are the product areas that have high relative market shares but exist in low-growth markets. The business is mature and it is assumed that lower levels of investment will be required. On this basis, it is therefore likely that they will be able to generate both cash and profits. Such profits could then be transferred to support the stars. The general features of cash cows are

- They generate both cash and profits

- The business is mature and needs lower levels of investment
- Profits are transferred to support stars/question marks
- The danger is that cash cows may become under-supported and begin to lose their market

Although the market is no longer growing, the cash cows may have a relatively high market share and bring in healthy profits. No efforts or investments are necessary to maintain the status quo. Cash cows may however ultimately become dogs if they lose the market share.

iii) Question Marks – high growth, low market share

Question marks are also called problem children or wild cats. These are products with low relative market shares in high growth markets. The high market growth means that considerable investment may still be required and the low market share will mean that such products will have difficulty in generating substantial cash. These businesses are called question marks because the organization must decide whether to strengthen them or to sell them

The general features of question marks are

- ❖ Their cash needs are high
- ❖ But their cash generation is low
- ❖ Organization must decide whether to strengthen them or sell them

Although their market share is relatively small, the market for question marks is growing rapidly. Investments to create growth may yield big results in the future, though this is far from certain. Further investigation into how and where to invest is advised.

iv) Dogs - Low growth, low market share

These are products that have low market shares in low growth businesses. These products will need low investment but they are unlikely to be major profit earners. In practice, they may actually absorb cash required to hold their position. They are often

regarded as unattractive for the long term and recommended for disposal. The general features of dogs are

- ❖ They are not profit earners
- ❖ They absorb cash
- ❖ They are unattractive and are often recommended for disposal.

Turnaround can be one of the strategies to pursue because many dogs have bounced back and become viable and profitable after asset and cost reduction. The suggested strategy is to drop or divest the dogs when they are not profitable. If profitable, do not invest, but make the best out of its current value. This may even mean selling the division's operations.

3.8 GE Nine-cell matrix



This matrix was developed in 1970s by the General Electric Company with the assistance of the consulting firm, McKinsey & Co, USA. This is also called GE multifactor portfolio matrix. The GE matrix has been developed to overcome the obvious limitations

of BCG matrix. This matrix consists of nine cells (3X3) based on two key variables:

- 1) business strength
- 2) industry attractiveness

The horizontal axis represents business strength and the vertical axis represents industry attractiveness.

The business strength is measured by considering such factors as

- ❖ Relative market share
- ❖ Profit margins
- ❖ Ability to compete on price and quality
- ❖ Knowledge of customer and market
- ❖ Competitive strengths and weaknesses
- ❖ Technological capacity
- ❖ Caliber of management

The industry product-lines or business units are plotted as circles. The area of each circle is proportionate to industry sales. The pie within the circles represents the market share of the product line or business unit. The nine cells of the GE matrix represent various degrees of industry attractiveness (high, medium or low) and business strength (strong, average and weak). After plotting each product line or business unit on the nine cell matrix, strategic choices are made depending on their position in the matrix.

Spotlight Strategy GE matrix is also called “Stoplight” strategy matrix because the three zones are like green, yellow and red of traffic lights.

1) Green indicates invest/expand – if the product falls in green zone, the business strength is strong and industry is at least medium in attractiveness, the strategic decision should be to expand, to invest and to grow.

2) Yellow indicates select/earn – if the product falls in yellow zone, the business strength is low but industry attractiveness is high, it needs caution and managerial discretion for

making the strategic choice

3) Red indicates harvest/divest – if the product falls in the red zone, the business strength is average or weak and attractiveness is also low or medium, the appropriate strategy should be divestment.

3.9 Hofer's Product-Market Evolution Matrix

Hofer's Matrix, developed by Charles W. Hofer, is an advanced strategic tool used to analyse a company's business portfolio and determine suitable strategies based on product/market evolution and competitive position. It is an extension of the BCG and GE models, offering a more detailed and dynamic view of how businesses evolve over time. The model helps management make strategic choices by considering the life cycle stage of the industry and the competitive strength of the business unit.

Dimensions of Hofer's Matrix:

The matrix is built on **two key dimensions**:

1. **Stages of Product/Market Evolution**
2. **Competitive Position of the Business Unit**

1. Stages of Product/Market Evolution:

This dimension reflects the life cycle of the product or market and includes the following stages:

Development Stage: The product is new, market size is small, and profitability is uncertain. Heavy investment is needed.

Growth Stage: Demand increases rapidly, and competitors enter the market. The firm needs to expand capacity and marketing.

Shake-Out Stage: Market growth slows, competition intensifies, and weaker firms exit the industry.

Maturity Stage: Sales stabilize, profit margins narrow, and the focus shifts to efficiency and differentiation.

Decline Stage: Demand decreases, technology changes, and firms may exit or diversify into new products.

2. Competitive Position:

This dimension assesses how strong or weak a business is compared to its competitors. It includes:

Strong: The business has a clear competitive advantage and good profitability.

Average: The business performs reasonably well but faces moderate competition.

Weak: The business lacks competitiveness and struggles to sustain profits.

Strategic Implications of Hofer's Matrix:

By combining these two dimensions, Hofer's Matrix produces a 15-cell grid, showing different combinations of product/market stages and competitive positions. Each cell suggests a strategic direction such as:

Invest/Grow: For strong businesses in the growth stage.

Selective Investment: For average businesses in growth or maturity stages.

Harvest or Divest: For weak businesses in the decline stage.

Hold or Maintain: For mature businesses with strong positions.

3.10 Strategic Alternatives at Business Level:

Business-level strategies are the courses of action adopted by a firm to achieve competitive advantage within a specific industry or market. These strategies focus on how a company competes successfully in a particular business area by utilizing its resources and

capabilities effectively. The main goal of business-level strategy is to create value for customers and gain a sustainable edge over competitors.

1. Cost Leadership Strategy

This strategy aims to achieve the lowest cost of production and distribution in the industry. The company focuses on efficiency, cost reduction, and economies of scale to offer products at lower prices than competitors. Cost leadership helps attract price-sensitive customers and build a large market share. Firms like Walmart and McDonald's have successfully used this strategy to maintain competitiveness through operational efficiency.

2. Differentiation Strategy

In this strategy, a firm seeks to offer unique products or services that stand out from competitors in terms of quality, design, features, or brand image. Customers are willing to pay a premium price for distinctive offerings. Differentiation builds customer loyalty and reduces the threat of competition. Examples include Apple and BMW, which differentiate through innovation and superior quality.

3. Focus Strategy

The focus strategy involves targeting a specific market segment or niche instead of serving the entire industry. The firm concentrates on understanding the unique needs of that segment and provides customized products or services. This strategy can take two forms:

Cost Focus: Competing by offering low-cost products in a niche market.

Differentiation Focus: Offering specialized or high-quality products for a particular group of customers. This approach allows firms to serve customers better and achieve loyalty within the niche.

4. Integrated Cost Leadership and Differentiation Strategy

Some firms combine both cost leadership and differentiation to achieve a balanced advantage. They aim to provide moderately priced products with acceptable quality and unique features. This hybrid approach helps firms adapt to dynamic market conditions,

attract diverse customers, and maintain flexibility in operations. However, it requires careful resource management to avoid being "stuck in the middle."

Check Your Progress

Choose the Correct Answer:

1. Corporate Portfolio Analysis is mainly used to:

- a) analyze employee performance
- b) evaluate different business units of a company
- c) calculate company profit
- d) manage customer relationships

Answer: b) evaluate different business units of a company

2. In the BCG Matrix, which category represents products with high market share and high market growth?

- a) cash cows
- b) dogs
- c) stars
- d) question marks

Answer: c) stars

3. The GE Nine Cell Matrix is mainly used to analyze:

- a) employee productivity
- b) industry attractiveness and business strength
- c) product pricing strategies
- d) customer satisfaction

Answer: b) industry attractiveness and business strength

4. Grand strategies refer to:

- a) short-term marketing plans
- b) long-term overall strategies of an organization
- c) employee training methods
- d) financial accounting techniques

Answer: b) long-term overall strategies of an organization

5. The Hofer Matrix is used to evaluate:

- a) product life cycle and competitive position
- b) employee performance
- c) financial investment only
- d) advertising effectiveness

Answer: a) product life cycle and competitive position

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	What is Corporate Portfolio Analysis?	CO1	Remember	PO1
2	What is meant by Grand Strategies?	CO1	Understand	PO1
3	Expand BCG in BCG Matrix.	CO2	Remember	PO2
4	What is GE Nine Cell Matrix?	CO2	Understand	PO2
5	What is meant by Strategic Alternatives at Business Level?	CO3	Understand	PO3

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the concept of Corporate Portfolio Analysis and its importance in strategic management.	CO1	Understand	PO1
2	Discuss the concept of Grand Strategies with suitable examples.	CO1	Understand	PO1
3	Explain the BCG Matrix and its categories with examples.	CO2	Analyze	PO2
4	Describe the GE Nine Cell Matrix and its role in strategic decision making.	CO2	Analyze	PO2
5	Explain Hofer's Matrix and strategic alternatives at business level.	CO3	Evaluate	PO3

UNIT - IV

STRATEGY IMPLEMENTATION

4.0 Introduction

Strategy implementation is the process of putting organisation's various strategies into action by setting annual or short-term objectives, allocating resources, developing programmes, policies, structures, functional strategies etc. Even the best strategic plan will be useless unless it is implemented properly. The strategy implementation is, therefore, the most difficult element of the strategic management process. This is so because there has to be a "fit" between the strategy and the organization.

Meaning

Strategy implementation refers to the process of putting the chosen strategy into action to achieve the organization's goals and objectives. It involves converting strategic plans into operational activities by allocating resources, assigning responsibilities, and ensuring that employees and departments work together effectively. In simple terms, it is the execution phase of strategic management where plans are translated into results. Successful implementation requires proper communication, leadership, motivation, and control to ensure that the strategy is carried out as intended.

Definitions:

Wheelen and Hunger

"Strategy implementation is the process by which strategies and policies are put into action through the development of programs, budgets, and procedures."

Glueck

"Strategy implementation is the process that turns strategies and plans into actions to achieve strategic objectives and goals."

Pearce and Robinson

“Strategy implementation is the set of decisions and actions that result in the execution of strategic plans.”

4.1 Key Components:

Successful strategy implementation depends on several critical elements working together:

Leadership and People Alignment:

A skilled and committed team that understands and supports the strategy is crucial. Leaders must motivate, guide, and empower employees.

Resource Allocation:

Ensuring the necessary financial, human, and technological resources are available and properly allocated to strategic priorities is essential to avoid disruptions and ensure successful execution.

Organizational Structure and Systems:

The Company’s structure, day-to-day procedures, and tools must support the new strategy. Roles and responsibilities need to be clearly defined to ensure accountability.

Communication and Buy-in:

Clear and consistent communication across all levels of the organization helps build understanding, gain employee buy-in, and ensure everyone works toward the same goals.

Culture:

A supportive work culture that encourages collaboration and adaptability can facilitate the implementation process and help manage resistance to change.

4.2 NATURE OF STRATEGY IMPLEMENTATION:

1. Action-Oriented

Strategy implementation focuses on converting strategic plans into concrete actions. It is concerned with “doing” rather than “planning.”

2. Continuous Process

It is not a one-time activity but a continuous process that requires constant monitoring, evaluation, and adjustment.

3. Involves All Levels of Management

Effective implementation requires the participation and coordination of top, middle, and lower-level managers.

4. Resource Allocation

It involves the proper allocation and utilization of resources; human, financial, and physical to achieve strategic goals.

5. Requires Leadership and Communication

Successful implementation depends on strong leadership, effective communication, and employee motivation to align actions with organizational objectives.

6. Dynamic in Nature

The process must adapt to changes in the internal and external environment to ensure strategy success.

4.3 BARRIERS AND ISSUES IN STRATEGY IMPLEMENTATION:

1. Time Horizon

Such systems have both long-term and short term dimensions. For example,

rewards like productivity bonus Strategic Management: 198 should be based on quantitative measures of performance related to the short-term. On the other hand, it is appropriate to link Strategy Implementation long-term rewards with qualitative measures and a few relevant quantitative measures.

2. Risk Considerations:

When risk-prone behaviour is desired, qualitative measures of performance may be more beneficial, for example, rewards like bonus or stock options. This is because quantitative measures may lead to risk-averse behaviour to avoid failure rather than risk prone behaviour to achieve results

3. Bases of Individual Rewards

Reward systems should be linked to an individual's capability, effort and job satisfaction. If rewards are geared to only one aspect, it may have a negative effect on performance in other aspects.

4. Bases of Group Rewards

An important issue in reward systems is whether to have individual rewards or group rewards. Rewarding individuals for effort and performance may be difficult unless the organisational structure permits individual performance to be isolated from that of others. Thus, for example, with respect to managerial contribution to corporate performance, individual rewards may be beneficial and appropriate because individual's contribution is relatively independent of others. On the other hand, if individual's contributions are relatively interdependent, it would be appropriate to adopt schemes based on group performance. Again, rewarding individuals may be necessary where entrepreneurial or creative behaviours are sought to be encouraged. On the contrary, if greater co-operation and team work is sought to be rewarded, group reward schemes would be more desirable

5. Corporate and SBU Perspectives

In multi-divisional organisations, reward systems with a balanced approach NOTES towards corporate interests and the interests of the Strategic Business Units (SBUs) should be designed, where business Implementation NOTES units have greater autonomy and independence. Likewise, if the SBUs are not likely to influence corporate performance, unit-based reward schemes would be more beneficial.

But in the case of directors and general managers, placed in the units, who have dual responsibility of achieving unit as well as corporate objectives, due care must be taken to design balanced empowering environment

4.4 ROLE OF TOP MANAGEMENT IN STRATEGY IMPLEMENTATION:

1. Providing Direction and Leadership

Top management plays a vital role in giving a clear sense of direction and purpose to the organization. They translate the strategic plan into a vision that can be understood and followed by all employees. Leadership from the top ensures that every level of management is aware of the organization's goals and the means to achieve them. Effective leaders communicate the importance of the strategy and motivate employees to work towards its success. Without strong direction and leadership, even the best-formulated strategies can fail during execution.

2. Resource Allocation

The success of any strategy depends largely on how well resources are allocated. Top management ensures that all necessary resources financial, human, and technological are provided to different departments as per strategic priorities. They decide where investments should be made to maximize performance and efficiency. Proper allocation prevents resource wastage and ensures that critical projects receive sufficient support. By aligning resources with strategic objectives, top management helps turn strategic plans into achievable outcomes.

3. Establishing Organizational Structure

For effective implementation, the organizational structure must support the chosen strategy. Top management is responsible for designing or modifying this structure to suit strategic needs. This includes defining roles, responsibilities, authority, and communication channels across different levels. A well-structured organization minimizes confusion and duplication of work. It also helps in faster decision-making and efficient coordination among departments, leading to smooth execution of strategies.

4. Developing Policies and Procedures

Policies and procedures act as the operational framework within which strategies are implemented. Top management formulates these guidelines to direct the behavior of employees and standardize operations. Policies help ensure consistency in decisions and actions across the organization. They also assist managers in handling routine problems effectively.

5. Motivating and Leading Employees

Employee motivation is essential for successful strategy implementation. Top management inspires and influences employees through recognition, rewards, and effective communication. They create an environment where employees feel valued and responsible for organizational success. Leadership also involves building trust and encouraging teamwork. Motivated employees are more likely to contribute innovative ideas and remain committed to achieving strategic goals. Hence, top management's leadership style directly impacts implementation effectiveness.

6. Monitoring and Controlling Performance

Implementation is incomplete without continuous monitoring and control. Top management sets performance standards, reviews progress, and compares results with strategic goals. When deviations occur, corrective actions are taken promptly to bring performance back on track. Regular control ensures accountability and helps maintain

focus on priorities. By monitoring outcomes, top management can also identify areas for improvement and make necessary adjustments to keep the organization moving in the right direction.

7. Creating a Supportive Organisational Culture

Organisational culture plays a major role in shaping employee behavior and attitudes toward strategy. Top management fosters a culture that promotes teamwork, innovation, and adaptability to change. They encourage open communication, collaboration, and trust among employees. A positive culture helps reduce resistance to change and motivates employees to work collectively for strategic success. Through their actions and values, top leaders set the tone for the organization and ensure that the culture aligns with strategic objectives.

4.5 STRATEGIC IMPLEMENTATION PROCESS:

S. Certo and J. Peter proposed a five-stage model of the strategy implementation process:

- a) Determining how much the organization will have to change in order to implement the strategy under consideration, under consideration.
- b) Analyzing the formal and informal structures of the organization
- c) Analyzing the "culture" of the organization.
- d) Selecting an appropriate approach to implementing the strategy. e) Implementing the strategy and evaluating the result

Galbraith suggests that several major internal aspects of the organization may need to be synchronized to put a chosen strategy into action. Major factors are technology, human resources, reward systems, decision process and structure. These factors tend to be interconnected, so a change in one may necessitate change in one or more others. Hambrick and Cannella described five steps for effective strategy implementation:

- a) Input from a wide range of sources is required in the strategy formulation stage (i.e., the mission, environment, resources, and strategic options component).
- b) The obstacles to implementation, both those internal and external to the organization, should be carefully assessed.
- c) Strategists should be use implementation levers or management tasks to initiate this component of the strategic management process. Such levers may come from the way resources are committed, the approach used to structure the organization, the selection of managers, and the method of rewarding employees.
- d) The next step is to sell the implementation. Selling upward entails convincing boards of directors and senior's management of the merits and viability of the strategy. Selling downward involves convincing lower level management and employees of the appropriateness of the strategy. Selling across involves coordinating implementation across the various units of an organization, while selling outward entails communicating the strategy to external stakeholders.
- e) The process is on-going and a continuous fine tuning, adjusting, and responding is needed as circumstance change.

4.6 Resource Allocation

The resources may be existing with a company or many be acquired through capital allocation. Resources include physical, financial and human resources essential for implementing plans. Resources are broadly of four categories.

- ❖ Money
- ❖ Facilities and equipments
- ❖ Materials, supplies and services
- ❖ Personnel

Decisions involved in allocation of resources have vital significance in strategy implementation. In single product firms it may involve assessment of the resource needs of

different functional departments. In the multi divisional organization it implies assessing the resource needs of different SBUs or product divisions. Redeployment or reallocation of resources becomes necessary when changes take place. The redeployment of resources is quite critical when there are major changes and shifts in strategic posture of company. Redeployment of resources may arise due to strategies of a company to grow in certain areas and withdraw from the other.

4.6.1 Methods of Resource Allocation

(i) Based on percentages

Usually, companies have been following system of allocation of resources by percentages. It may not serve much purpose these days. They may be of help only in making some comparisons. The allocation of resources should not be based on their availability or scarcity as it may prove to be counterproductive. The resource allocation should be made with regard to strategies of a company for its future competitive position and growth. The decisions of resource allocation are also closely connected with the objectives of a company.

(ii) Based on modern methods

Other methods include -Portfolio models, product life-cycle charts, balance sheets, profit and loss statements income statements. When retrenchment or turnaround strategies are implemented zero based budgeting is used. During mergers, acquisitions and expansion, capital budgeting techniques are suggested. Resource allocation is not purely a rational technique but is based on several behavioral and political considerations. The other analytical conceptual models used for strategic choice are growth share matrix, 'stop light', and Directional Policy Matrix used in multi divisional firms. A more comprehensive approach to management decisions on resource allocation is provided by the budgeting system carefully geared to the chosen strategy.

4.6.2 Problems in Resource Allocation:

i) Scarcity of Resources.

Financial, physical, and human resources are hard to find. Firms will usually face difficulties in procuring finance. Even if finance is available, the cost of capital is a constraint. Those firms that enjoy investor confidence and high credit worthiness possess a competitive advantage as it increases their resource-generation capability. Physical resources would consist of assets, such as, land machinery, and equipment. In a developing country like India, many capital goods have to be imported. The government may no longer impose many conditions but it does place a burden on the firm's finances and this places a restriction on firms wishing to procure physical resources. Human resources are seemingly in abundance in India but the problem arises due to the non-availability of skills that are specially required. Information technology and computer professionals, advertising personnel, and telecom, power and insurance experts are scarce in India. This places severe restrictions on firms wishing to attract and retain personnel. In sum, the availability resources are a very real problem.

ii) Restrictions on Generating Resources

In the usual budgeting process these are several restrictions for generating resources due to the SBU concept especially for new divisions and departments.

iii) Overstatement of Needs

Over statement of needs is another frequent problem in a bottom-up approach to resource allocation. The budgeting and corporate planning departments may have to face the ire of those executives who do not get resources according to their expectations. Such negative reactions may hamper the process of strategic planning itself.

4.6.3 FACTORS AFFECTING RESOURCE ALLOCATION:

Resource allocation may not necessarily be a purely 'rational' decision-making process. It is also a behavioural and political process involving people who may be

motivated by different objectives. Some of the major factors affecting resource allocation are discussed below:

1. Objectives of the Organisation

People motivated by different objectives exercise their influence over the funding of projects. There are two types of objectives. Official (explicit) objectives and operative (implicit) objectives. Allocations of resources are more guided by implicit objectives than explicit objectives. The formal and informal organisations also influence the perception of which projects should be chosen for funding.

2. Powerful Units

Sometimes, powerful SBU heads secure larger allocation of funds than their 'fair share'.

3. Dominant Strategists

The preferences of dominant strategists like the CEO, Directors, SBU heads, etc. are reflected in the way resources are allocated. The divisional and departmental heads know that such preferences matter and try to present their demands in line with them.

4. Internal Politics

Resources are often construed as power, and those units, which manage to secure substantial resources, are perceived as more powerful than others. Internal politics within the organisation to secure more and more resources, affect the process of resource allocation.

5. External Influences

Apart from internal politics, external influences like government policy, demands of shareholders, financial institutions, community and others, also affect resource allocation. For example, legal requirements may require additional finances in labour welfare and

social security, pollution control, safety equipments and energy conservation. The shareholders may expect higher dividends, and resources have to be directed to them. Financial institutions may impose restrictions or require companies to invest in technology up-gradation and R&D. Similarly, the discharge of social responsibilities by the firm requires allocation of sufficient funds. Thus, external influence affects the process of resource allocation

4.6.4 APPROACHES OF RESOURCE ALLOCATION:

1. Top-Down Approach

In the top-down approach, resource allocation decisions are made primarily by top management. Senior executives analyze the organization's overall strategic goals and decide how resources should be distributed among departments, projects, or business units. This approach ensures consistency with strategic objectives and provides strong managerial control. It is suitable for large organizations with centralized authority structures. However, it may sometimes ignore the real needs of lower-level units because the decision-making process is not participative. Despite this, it ensures alignment of all activities with the organization's long-term vision.

2. Bottom-Up Approach

The bottom-up approach starts at the lower levels of management. In this method, department heads or functional managers identify their resource requirements based on operational needs and submit proposals to top management for review and approval. This approach encourages participation and a sense of ownership among employees. It leads to realistic planning because decisions are based on ground-level information. However, it can lead to conflicts when multiple departments demand more resources than are available. Proper coordination between levels of management is essential for its success. It is most effective in decentralized organizations that encourage employee involvement.

3. Hybrid (Participative) Approach

The hybrid or participative approach combines the strengths of both the top-down and bottom-up methods. In this system, top management sets broad strategic guidelines and priorities, while lower and middle managers provide detailed input on resource requirements. Both levels collaborate to finalize allocation decisions. This approach promotes cooperation, better communication, and a balance between strategic direction and operational reality. It reduces the chances of bias and ensures that decisions are both practical and aligned with long-term goals. The participative approach is widely used in modern organizations that value teamwork and shared responsibility.

4. Zero-Based Approach

The zero-based approach requires every department or project to justify its resource needs from the ground up, starting from a “zero base.” Instead of using past budgets or allocations as a reference, each unit must explain why it needs resources and how they will be used effectively. This method helps eliminate unnecessary expenses and ensures that resources are directed only to essential and high-priority activities. It promotes efficiency and accountability but can be time-consuming due to detailed analysis and justification. It is particularly useful for organizations looking to control costs or restructure operations.

5. Priority-Based Approach

In this approach, resources are allocated according to the importance and urgency of various activities or projects. Management identifies high-priority areas that contribute the most to strategic objectives and ensures they receive sufficient resources first. Lower-priority or less critical tasks are funded later or with limited resources. This approach helps organizations focus on key areas that generate the greatest impact. It is especially useful when resources are scarce and trade-offs must be made. However, management must regularly review priorities to ensure resources remain aligned with changing business conditions.

6. Incremental Approach

The incremental approach involves allocating resources based on previous budgets or past performance with slight adjustments for new priorities or inflation. It is simple and easy to implement because it relies on historical data. However, it may continue inefficient spending patterns if not reviewed carefully. Although it offers stability and predictability, it lacks innovation and may not fully reflect current strategic needs. This approach is commonly used in government and public sector organizations where stability and control are more important than rapid change.

Resource allocation methods are strategies for distributing limited resources among competing needs, with common approaches including the Critical Path Method (CPM) for project scheduling, Critical Chain Method (CCM) which adds buffer to project timelines, and resource leveling to balance workloads by adjusting start and finish dates. Other methods include resource smoothing to maintain a consistent resource usage over a fixed timeline, using expert judgment or historical data, and implementing priority-based allocation.

4.7 PROJECT MANAGEMENT METHODS:

Critical Path Method (CPM):

Identifies the sequence of tasks that must be completed on time to avoid delaying the entire project. It assumes all resources are available and is best for predictable projects.

Critical Chain Method (CCM):

Similar to CPM, but focuses on optimizing resource allocation by incorporating project buffers to account for task dependencies and resource limitations, preventing delays.

Resource Leveling:

Adjusts project start and finish dates to resolve resource over allocations, ensuring a balanced workload by redistributing tasks to periods with lower resource demand.

Resource Smoothing:

Adjusts the project schedule within a fixed timeline to balance resource demand and supply, ensuring that resource demand does not exceed availability limits at any point.

Other Allocation Strategies:**Priority-based allocation:**

Resources are assigned to tasks based on their importance and criticality to overall business or project goals.

Expert Judgment:

Utilizes the experience and knowledge of specialists to determine resource needs and allocation, especially for unique or data-limited projects.

Historical Data Analysis:

Reviews data from past, similar projects to estimate the resources required for a new project.

AI-based allocation:

Uses AI-powered tools to provide data-driven suggestions for resource allocation based on factors like availability, capacity, and skills.

Top-down vs. bottom-up:

Top-down allocation involves high-level decision-makers distributing resources based on organizational priorities, while bottom-up involves creating a detailed plan from the task level and aggregating it to determine resource needs.

Manual vs. Automated:

Allocation can be done manually by managers based on their judgment or automatically by computer programs that dynamically distribute resources.

4.8 McKinseys 7's Framework

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

The McKinsey 7S Framework is a management model that analyzes a company's organizational design by looking at seven key internal elements to ensure they are aligned for optimal performance and effective change management.

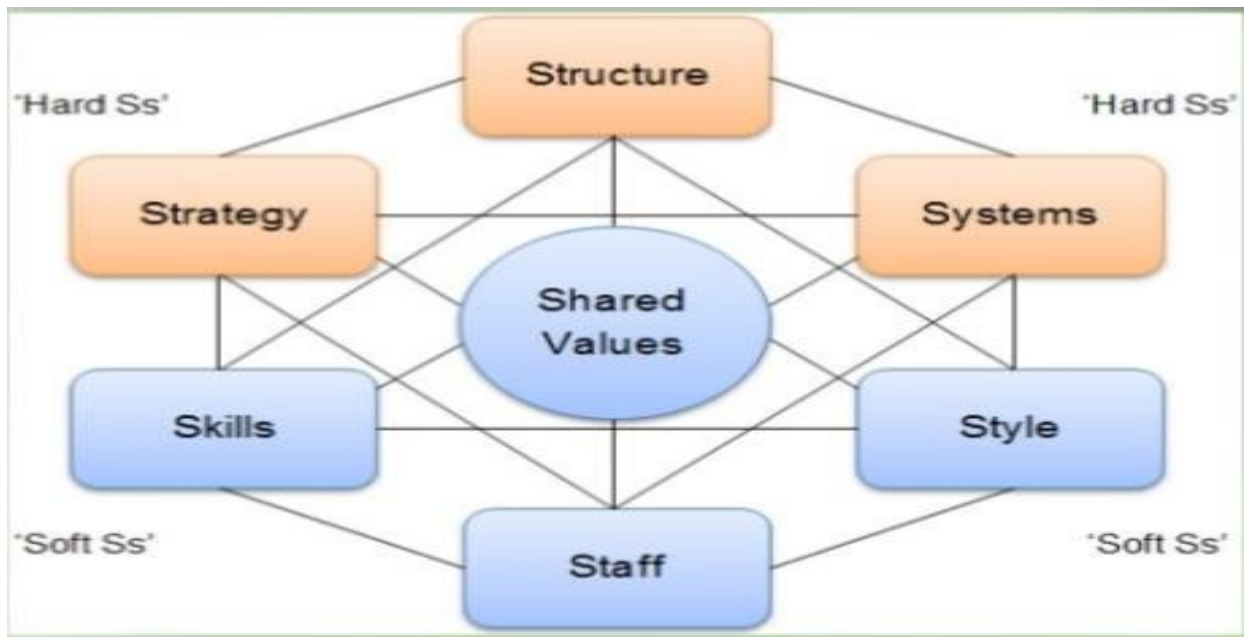
The Seven Elements of the Mckinsey 7s Framework

HARD ELEMENTS	SOFT ELEMENTS
Strategy, Structure, Systems	Shared Values, Skills, Style, Staff

The three "hard" elements are strategy, structures (such as organization charts and reporting lines), and systems (such as formal processes and IT systems.) These are relatively easy to identify, and management can influence them directly.

The four "soft" elements, on the other hand, can be harder to describe, less tangible,

and more influenced by your company culture. But they're just as important as the hard elements if the organization is going to be successful.



1. The Hard S-1- Strategy

This is your organization's plan for building and maintaining a competitive advantage over its competitors.

Examples

- Low-cost strategy through economic production or delivery
- Product differentiation through distinct features or innovative sales

2. The Hard S-2- Structure

Ways in which task and people are specialized and divided, and authority is distributed.

Examples

- Four main structures

- Functional Structure
- Divisional Structure
- Matrix Structure
- Network Structure

3. The Hard S-3-Systems

Formal processes and procedures to manage the organization.

Examples

- Performance Measurements
- Reward Systems
- Planning
- Budgeting
- Resource Allocation
- Information System
- Distribution System

4. The Soft S-1 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. Organization's approach to recruitment, selection, socialization, and training and employee development is important for effective staffing..

5. The Soft S-2 Skills

Distinctive competencies in the organization. Can be of People, Management Practices, Systems and/or Technologies.

6. The Soft S-3 Style

Leadership style of top management and overall operating style of organization.

Impacts norms followed by people, how they work and interact with each other and customers.

7. The Soft S-4 Shared Value

Core values shared in the organization and serve as guiding principles of what is important. Helps focus attention and provides a broader sense of purpose. Placing shared values in the center of the model emphasizes that these values are central to the development of all the other critical elements. The model states that the seven elements need to balance and reinforce each other for an organization to perform well.

Using the McKinsey 7-S Model

You can use it to identify which elements you need to realign to improve performance, or to maintain alignment and performance during other changes. These changes could include restructuring, new processes, an organizational merger, new systems, and change of leadership.

Follow these steps

Start with your shared values: are they consistent with your structure, strategy, and systems? If not, what needs to change?

Then look at the hard elements. How well does each one support the others? Identify where changes need to be made.

Next, look at the soft elements. Do they support the desired hard elements? Do they support one another? If not, what needs to change?

As you adjust and align the elements, you'll need to use an iterative (and often time consuming) process of making adjustments, and then re-analyzing how that impacts other elements and their alignment. The end result of better performance will be worth it.

Objectives of McKinsey's Model

1. Improve the performance of a company
2. Examine the likely effects of future changes within a company
3. Align departments and processes during a merger or acquisition
4. Determine how best to implement a proposed strategy

Hard Elements

These are tangible and easier for management to influence directly.

Strategy:

The plan formulated to achieve a competitive advantage and the organization's overall goals.

Structure:

The way the company is organized, including the hierarchy, reporting lines, and division of roles and responsibilities.

Systems:

The formal and informal processes, procedures, and daily activities that guide work, such as information systems, recruitment procedures, and financial tracking.

Soft Elements

These are more abstract, less tangible, and generally influenced by the organization's culture.

Shared Values:

The core beliefs, norms, and guiding principles at the center of the model that shape the corporate culture and influence all other elements.

Style:

The leadership approach and general behavior patterns of key managers, which sets a code of conduct and impacts employee motivation and engagement.

Staff:

The human resources within the organization, including how employees are recruited, trained, motivated, and managed.

Skills:

The actual capabilities, competencies, and expertise of the employees and the organization as a whole.

Key Principle

The central premise of the McKinsey 7S model is that all seven elements are interconnected and mutually reinforcing. For an organization to perform well or for a change initiative to be successful, all elements must be in harmony and support one another. A change in one area (e.g., strategy) requires adjustments in the others to maintain balance and effectiveness

4.9 Strategic Positioning

Meaning

Strategic positioning means determining how a business wants to be perceived by its target customers and competitors in the industry. It defines the company's direction, image, and identity in the marketplace. This positioning is achieved through strategic choices in pricing, quality, product features, service, distribution, and branding. A well-defined strategic position helps the organization communicate its value proposition clearly and stand out from others offering similar products or services.

Definition

Michael Porter (1996),

Strategic positioning means performing different activities from rivals or performing similar activities in different ways.”This definition emphasizes that true competitive advantage comes from uniqueness—either by offering something distinctive or by delivering value through more efficient operations.

4.9.1 Objectives of Strategic Positioning

1. To create a distinct image and identity in the minds of customers.
2. To achieve sustainable competitive advantage.
3. To align organizational activities with the market’s needs and expectations.
4. To attract and retain customers by delivering superior value.
5. To guide decision-making in marketing, operations, and resource allocation.

4.9.2 Types of Strategic Positioning:

Strategic positioning can be broadly categorized using Michael Porter's three generic strategies: cost leadership, differentiation, and focus. The focus strategy is further divided into two variants, resulting in a total of four potential strategic positions.

1. Cost Leadership Positioning

In cost leadership, the organization aims to become the lowest-cost producer in the industry. It achieves this by improving efficiency, reducing waste, and using economies of scale. The company offers products or services at lower prices than competitors while maintaining acceptable quality. This strategy attracts price-sensitive customers and helps build a large market share. Examples include companies like Walmart and low-cost airlines.

2. Differentiation Positioning

Differentiation focuses on offering unique products or services that stand out from competitors. This could be through innovation, superior quality, design, brand image, or customer service. Customers are willing to pay a premium price for these distinct features. Differentiation builds customer loyalty and protects the company from price-based competition. Examples include Apple, BMW, and Starbucks.

3. Focus or Niche Positioning

Focus positioning targets a specific market segment or group of customers. The company concentrates its resources on serving the needs of this segment better than competitors. The focus strategy can be based on either cost or differentiation within the niche. It helps smaller firms compete effectively against larger companies by specializing in a limited but profitable market area.

4.10 Other Positioning Types:

Beyond Porter's model, businesses also use other methods to position themselves in the market, often falling under the broader differentiation strategy:

Benefit-Based Positioning:

Emphasizing specific benefits or solutions the product offers to solve customer pain points (e.g., a shampoo that specifically targets dandruff).

Quality-Based Positioning:

Focusing on the superior quality, durability, or reliability of the product to justify a premium price (e.g., Lululemon's focus on high-quality activewear).

Use/Application Positioning:

Associating the brand with a specific use case or application to reach a wider or different market (e.g., advertising baking soda for both cooking and cleaning).

Competitor-Based Positioning:

Positioning the brand directly against a key competitor, highlighting its advantages over the rival's offering.

Lifestyle Positioning:

Aligning the brand with a particular culture, personality, or set of values to create an emotional connection with consumers (e.g., Patagonia's alignment with environmental sustainability and adventure).

4.11 Factors Influencing Strategic Positioning:

Strategic positioning is influenced by a combination of internal and external factors, including a company's core competencies and resources, the competitive environment, and the target market's needs and preferences.

Customer Needs and Preferences: The strategy should reflect what customers value most.

Competitor Behavior: Understanding competitors' strategies helps identify opportunities for differentiation.

Organizational Strengths: Internal capabilities, technology, and resources influence positioning choices.

Market Trends: Changing market conditions and technological advancements affect how a company positions itself.

Regulatory and Economic Environment: Laws, policies, and economic factors shape strategic priorities and market entry decisions.

4.12 Four Routes of Competitive Advantage;

The four main routes to competitive advantage are cost leadership, differentiation, cost focus, and differentiation focus. These strategies involve being the lowest-cost provider, offering unique and high-value products, or targeting a specific market segment with either a cost or differentiation strategy.

1. Cost Leadership:

Goal:

To become the lowest-cost producer in the entire market.

Strategy:

Firms achieve this by streamlining operations, securing bulk discounts, and automating processes to keep production expenses down.

Benefit:

This allows the company to offer competitive prices and can create a barrier to entry for competitors.

2. Differentiation:

Goal:

To stand out from competitors by offering unique products or services.

Strategy:

This can be achieved through innovative designs, superior performance, unique features, or strong brand building.

Benefit:

This strategy builds customer loyalty and can justify premium pricing.

3. Cost Focus:

Goal:

To achieve a cost advantage within a specific, narrow market segment.

Strategy:

This involves leveraging deep insights into the cost dynamics of a particular niche to serve that segment more cheaply than a broad-based competitor can.

Benefit:

The Company becomes the low-cost provider for a specific group of customers.

4. Differentiation Focus:

Goal:

To create high-value offerings for a specific market segment.

Strategy:

The Company identifies the exclusive needs of a particular market and develops products or services specifically tailored to meet those needs.

Benefit:

This strategy builds a strong, loyal customer base within the target segment by providing exclusive value.

Check Your Progress

Choose the Correct Answer:

1. In strategy implementation, the main role of top management is to:

- a) prepare daily sales reports
- b) provide leadership and direction for strategy execution
- c) manage routine office work
- d) handle customer complaints

Answer: b) provide leadership and direction for strategy execution

2. Resource allocation in strategy implementation refers to:

- a) distributing financial, human, and physical resources to support strategy
- b) hiring only new employees
- c) reducing organizational costs
- d) focusing only on marketing activities

Answer: a) distributing financial, human, and physical resources to support strategy

3. The McKinsey 7S Framework includes strategy, structure, systems, style, staff, skills, and:

- a) support
- b) standards
- c) shared values
- d) service

Answer: c) shared values

4. Strategic positioning mainly focuses on:

- a) placing employees in departments
- b) creating a strong position in the market compared to competitors
- c) selecting office location
- d) reducing production cost

Answer: b) creating a strong position in the market compared to competitors

5. The four routes to competitive advantage include cost leadership, differentiation, focus, and:

- a) diversification
- b) innovation
- c) expansion
- d) outsourcing

Answer: b) innovation

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	What is the role of top management in strategy implementation?	CO1	Remember	PO1
2	What are the key steps in the strategy implementation process?	CO1	Understand	PO1
3	Define resource allocation and its importance.	CO2	Remember	PO2
4	What are the elements of McKinsey's 7S Framework?	CO2	Understand	PO2
5	What are the four routes to competitive advantage?	CO3	Remember	PO3

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the role of top management in strategy implementation with examples.	CO1	Understand	PO1
2	Describe the process and approaches of strategy implementation.	CO1	Analyze	PO1
3	Discuss resource allocation, its factors, and approaches in strategy implementation.	CO2	Analyze	PO2
4	Explain McKinsey's 7S Framework and its application in organizations.	CO2	Understand	PO2
5	Discuss strategic positioning and the four routes to achieve competitive advantage.	CO3	Evaluate	PO3

UNIT - V

STRATEGY EVALUATION

5.0 Introduction

Strategy evaluation is the process of assessing the effectiveness of a business strategy in achieving its objectives by measuring performance against goals, analyzing variances, and taking corrective action. It involves comparing expected results with actual results, and making adjustments to ensure performance aligns with plans. Key activities include setting performance benchmarks, monitoring progress, and taking corrective steps.

Meaning of Strategy Evaluation

Strategy evaluation means the systematic process of analyzing and monitoring the performance of a strategy to determine its success or failure. It examines whether the strategy fits the current business environment, utilizes resources efficiently, and delivers expected results. Through regular evaluation, management can decide whether to continue, modify, or replace a strategy. It acts as a feedback mechanism linking strategy formulation and implementation.

Definitions:

William F. Glueck,

“Strategy evaluation is the process by which managers determine whether the chosen strategy is achieving the organization’s objectives.”

Hunger and Wheelen

“Strategy evaluation involves reviewing internal and external factors, measuring performance, and taking corrective actions.”

5.1 Objectives of Strategy Evaluation

1. To assess the relevance and suitability of the strategy in changing business conditions.
2. To measure the actual performance against planned targets.
3. To identify problem areas and take corrective action in time.
4. To ensure the efficient use of resources and achievement of organizational objectives.
5. To provide feedback for future strategy formulation and improvement.

5.2 Steps in Strategy Evaluation:

1. Setting Performance Standards

The first step involves establishing clear, measurable standards for evaluating strategy performance. These standards may include financial indicators such as sales, profits, and ROI, or non-financial indicators like customer satisfaction and market share. Standards provide a benchmark against which actual performance can be compared.

2. Measuring Actual Performance

In this step, actual results are collected through reports, feedback, and performance data. Measurement must be accurate, timely, and relevant. The data should reflect both quantitative and qualitative performance aspects.

3. Comparing Actual Performance with Standards

The next step is to compare the measured results with the pre-set standards. This helps identify deviations or gaps between expected and actual outcomes. Both favorable and unfavorable variances are analyzed to understand the causes behind them

4. Analyzing Deviations

After comparison, managers analyze the reasons for deviations. These could be due to changes in external factors such as competition or economy, or internal factors like poor execution, lack of resources, or communication failures. Identifying the root cause is essential before taking any corrective action.

5. Taking Corrective Actions

The final step is to implement corrective measures to overcome the identified problems. This may involve revising goals, changing resource allocation, modifying the strategy, or redesigning processes. Continuous review and improvement help ensure that the organization adapts effectively to dynamic business environments.

5.3 Importance of Strategy Evaluation:

1. Ensures Achievement of Organizational Objective

Strategy evaluation helps in verifying whether the organization is moving toward its predetermined goals. By comparing actual performance with planned objectives, management can ensure that all departments and employees are aligned with the organizational mission. This keeps the company focused and prevents deviation from its strategic direction.

2. Helps in Identifying Strengths and Weaknesses

Through continuous evaluation, management can identify which parts of the strategy are effective and which areas require improvement. It reveals internal strengths that can be further developed and weaknesses that may hinder success. This understanding helps in improving overall organizational performance.

3. Facilitates Corrective Action

If the evaluation shows that performance is below expectations, it provides an opportunity to take timely corrective action. Managers can revise the strategy, reallocate resources, or change operational processes. This helps prevent minor issues from becoming major problems that could affect long-term success.

4. Adapts to Environmental Changes

The business environment is dynamic, and factors like technology, competition, and customer preferences keep changing. Strategy evaluation enables organizations to adapt to these changes effectively. By reviewing strategy performance regularly, companies can modify their strategies to maintain competitiveness and relevance.

5. Enhances Managerial Efficiency

Regular evaluation encourages accountability and discipline among managers. It provides clear performance standards and feedback, which motivate managers to improve their decision-making and leadership capabilities. This process also strengthens coordination and communication within the organization.

6. Provides a Basis for Future Strategy Formulation

The insights gained from evaluating current strategies help managers design better strategies for the future. Lessons learned from past performance guide the organization in avoiding previous mistakes and adopting more effective approaches in the next planning cycle.

5.4 Criteria of Strategy Evaluation:

1. Consistency

A good strategy must not present inconsistent goals and policies. All parts of the strategy should support one another and align with the overall objectives of the

organization. If policies or actions conflict, it may create confusion among employees and reduce the effectiveness of implementation. Therefore, internal harmony and coherence are essential for strategic success.

2. Consonance

Consonance means that the strategy should fit well with the external environment. It must respond effectively to external changes such as market trends, competition, technological advancement, and socio-economic factors. A strategy that aligns with environmental realities is more likely to succeed and sustain over time.

3. Feasibility

Feasibility refers to whether the organization has the necessary resources and capabilities to implement the strategy. The strategy should be realistic, considering financial, human, and technological constraints. An impractical or overly ambitious strategy may fail even if it looks good on paper.

4. Advantage

A sound strategy should create a lasting competitive advantage for the organization. It must utilize the firm's strengths or unique capabilities to outperform competitors. This could be achieved through cost efficiency, product differentiation, innovation, or superior customer service. The greater the advantage, the more sustainable the organization's success.

5.5 Quantitative and Qualitative Factors in Strategy Evaluation:

Strategy evaluation involves assessing both quantitative and qualitative factors to determine the effectiveness and success of a strategy. These two sets of factors together provide a comprehensive view of how well the organization's strategy is performing not only in numbers but also in terms of quality, behavior, and adaptability. Strategy evaluation requires a balance of both quantitative (measurable, numerical data) and

qualitative (subjective, non-numerical factors) factors to provide a comprehensive understanding of performance and guide future direction.

1. Quantitative Factors:

Quantitative factors are measurable and numerical indicators used to evaluate the performance of a strategy. They are based on financial and statistical data that can be expressed in figures. These factors provide objective evidence of whether strategic goals have been achieved.

Important quantitative factors include

Profitability

Measures like net profit margin, return on investment (ROI), and earnings per share (EPS) help evaluate financial performance.

Sales Growth

The increase or decrease in total sales indicates how effectively the strategy attracts and retains customers.

Market Share

A rising market share shows that the firm's strategy is working successfully against competitors.

Productivity

The ratio of output to input shows the efficiency of resource utilization.

Cost Efficiency

Evaluates how effectively the firm manages its operational costs compared to revenue.

2. Qualitative Factors:

Qualitative factors are non-measurable, descriptive aspects that influence the success of strategy implementation. They deal with human behavior, attitudes, motivation, leadership, and the overall organizational culture. Unlike quantitative factors, they cannot be expressed in numbers but have a strong impact on strategic outcomes.

Important qualitative factors include

Employee Motivation and Morale

High motivation levels lead to better performance and effective implementation of strategies.

Leadership Quality

The ability of top and middle management to guide, inspire, and coordinate affects the overall success of strategy execution.

Customer Satisfaction

Positive feedback and brand loyalty reflect the success of marketing and service strategies.

Adaptability to Change

The organization's flexibility in responding to technological and environmental shifts is vital for long-term growth.

Organizational Culture and Communication

A supportive culture and effective communication systems ensure that everyone understands and follows the strategic direction.

Common Evaluation Techniques:

- ❖ Financial Analysis
- ❖ SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats)
- ❖ Balanced Scorecard Approach
- ❖ Benchmarking
- ❖ Scenario Planning
- ❖ Gap Analysis

5.6 Strategic Control

Strategic control refers to the process of monitoring and evaluating whether an organization's strategies are successfully implemented and achieving the desired goals. It ensures that the chosen strategy is moving in the right direction and makes necessary adjustments in response to internal or external changes. Strategic control focuses on long-term performance rather than short-term operations.

Strategic control is the process of monitoring, evaluating and adjusting an organization's strategy during and after implementation to ensure it stays on track to achieve its long-term objectives in a dynamic environment. It involves top management and contrasts with operational control, which focuses on day-to-day efficiency.

Purpose and Importance:

The primary purpose of strategic control is to provide a feedback mechanism that allows management to steer the company through unexpected events and changing conditions. Key benefits include:

Adaptability:

Enables the organization to respond quickly to internal and external changes in the business environment.

Goal Alignment:

Ensures that day-to-day activities and resource allocations remain consistent with overall strategic goals and the organization's mission.

Risk Management:

Helps in identifying potential problems, deviations, and opportunities early, allowing for timely corrective action.

Performance Improvement:

Measures progress, identifies areas for improvement, and provides data for better, more informed decision-making

5.7 Process of Strategic Control

The process of strategic control is a systematic approach that helps managers evaluate and ensure that a chosen strategy is effectively implemented. It focuses on identifying deviations from plans, analyzing causes, and taking corrective actions to achieve organizational objectives. The process involves several essential steps that work together continuously to maintain strategic effectiveness.

1. Establishing Organisational Objectives

The first step in strategic control is to clearly define the organization's long-term objectives. These objectives act as the foundation for formulating strategies and setting performance standards. Objectives should be specific, measurable, achievable, relevant, and time-bound (SMART). A clear set of goals helps management evaluate whether the current strategy aligns with the organization's mission and vision. Without well-defined objectives, it becomes difficult to measure performance accurately.

2. Setting Performance Standards

Once objectives are established, specific performance standards must be developed to measure progress. These standards act as benchmarks against which actual results are

compared. Standards can be both quantitative, such as profit margin, sales growth, and market share, and qualitative, like employee satisfaction or brand reputation. The standards must be realistic and flexible to adjust to changing business environments. Setting appropriate standards ensures clarity in evaluating strategic effectiveness.

3 Measuring Actual Performance

In this stage, managers collect data on the actual performance of the organization. The performance is measured using various tools like financial reports, production statistics, employee feedback, and customer surveys. Both internal and external sources of information are used for accuracy. Measurement must be continuous and timely so that any deviation can be detected early. Effective measurement provides valuable insights into how well strategies are being executed.

4. Comparing Actual Performance with Standards

After measuring performance, it must be compared with the standards that were previously set. This comparison helps determine whether the organization is moving in the right direction. A close match between actual results and standards indicates effective strategy implementation. However, any significant deviation shows that corrective actions may be needed. Comparison allows management to assess both efficiency and effectiveness in achieving strategic goals.

5. Identifying and Analysing Deviations

Deviations are the differences between actual performance and planned performance. This step involves finding out why these deviations occurred. Possible causes may include changes in market conditions, improper allocation of resources, poor communication, or employee resistance. A detailed analysis helps in understanding whether the problem lies within the strategy itself or in its execution. This step ensures that management focuses on the root cause rather than the symptoms.

6. Taking Corrective Action

Once deviations are analyzed, management must take suitable corrective actions. These actions may include revising objectives, modifying implementation techniques, or reallocating resources. Sometimes, a change in leadership style or communication process may also be required. The aim is to bring actual performance back in line with the desired objectives. Effective corrective action ensures continuous improvement and keeps the strategy relevant to changing circumstances.

7. Monitoring and Feedback

The final step in the strategic control process is continuous monitoring and feedback. It involves regular review of the strategy to ensure its alignment with environmental changes. Feedback provides information on what worked well and what did not. This information helps in refining future strategies and improving decision-making. Continuous monitoring creates a learning environment within the organization and enhances long-term competitiveness.

8. Revising Strategy

If repeated deviations are found even after corrective actions, it may indicate flaws in the strategy itself. In such cases, the organization must review and revise the entire strategy. Revision may include redefining goals, altering competitive approaches, or entering new markets. A revised strategy ensures that the organization remains adaptable and resilient in a changing environment. Strategic flexibility is key to sustaining long-term success.

5.8 Criteria of Strategic Control:

The criteria of strategic control are the essential standards or measures used to evaluate whether a strategy is effective and aligned with the organization's long-term objectives. These criteria help managers determine the success of strategic implementation and make necessary corrections to improve performance. A well-defined set of criteria

ensures that the strategic control system provides accurate, timely, and relevant information for decision-making.

1. Suitability

Suitability refers to how well a chosen strategy fits the organization's internal strengths and external environment. A suitable strategy should take into account the organization's resources, capabilities, market conditions, and competitive forces. It must also align with the company's mission, vision, and goals. A suitable strategy enhances organizational performance and ensures long-term sustainability. If a strategy is not suitable, it may lead to poor resource utilization and strategic failure.

2. Acceptability

Acceptability deals with how well stakeholders—such as employees, managers, customers, and shareholders—accept and support the chosen strategy. A strategy must be acceptable in terms of its risk level, return expectations, and impact on various stakeholders. If stakeholders resist a strategy, its implementation becomes difficult and costly. Therefore, before executing a strategy, management must ensure that it gains the commitment and confidence of all major stakeholders to achieve successful outcomes.

3. Feasibility

Feasibility assesses whether the organization has the necessary resources and capabilities to implement the strategy successfully. These resources include financial strength, human skills, technology, and infrastructure. A feasible strategy is one that can be realistically executed with the available means and within a given time frame. If a strategy is not feasible, it may cause financial strain, operational difficulties, or organizational failure. Hence, feasibility analysis is crucial before full-scale implementation.

4. Consistency

Consistency means that the strategy should be in harmony with the organization's goals, policies, and overall direction. It ensures that different strategies and actions within

the organization do not conflict with one another. A consistent strategy supports organizational unity and coordination across departments. When strategies are inconsistent, confusion arises, leading to inefficiency and misaligned efforts. Consistency maintains clarity in organizational decision-making and strategic execution.

5. Flexibility

Flexibility refers to the ability of the strategy to adapt to changes in the external or internal environment. Since business conditions, technology, and customer preferences are constantly changing, strategies must allow room for modification. A flexible strategy helps the organization respond effectively to unexpected challenges or opportunities. It ensures that the business remains competitive and resilient even during uncertain times. Rigid strategies often fail when the environment changes suddenly.

6. Measurability

Measurability ensures that the outcomes of the strategy can be assessed using clear and quantifiable indicators. These indicators may include profit margins, market share, sales growth, productivity, or customer satisfaction. When objectives are measurable, it becomes easier for managers to track progress and evaluate performance. A measurable strategy allows timely detection of deviations and supports effective corrective action. Without measurable standards, strategic control loses its effectiveness.

7. Timeliness

Timeliness refers to the promptness with which control information is collected, analyzed, and acted upon. Strategic control must provide accurate and up-to-date information at the right time to support effective decision-making. Delayed information can make corrective actions less effective or irrelevant. A timely control system enables quick responses to emerging threats and opportunities, helping the organization stay competitive in a fast-changing environment.

8. Comprehensiveness

Comprehensiveness means that the strategic control system should cover all key areas of performance, financial, operational, human resources, and external factors. It should not be limited to one aspect of business performance. A comprehensive control system provides a holistic view of how the strategy affects every part of the organization. This allows management to identify weaknesses in any area and make balanced improvements across all functions.

5.9 Types of Strategic Control

There are four types of strategic controls

1. Premise control
2. Strategic surveillance
3. Special alert control
4. Implementation control

1. Premise Control

Strategy is built around several assumptions Strategic Evaluation and Control or predictions, which are called planning premises. Premise control checks systematically and continuously whether the assumptions on which the strategy is based are still valid. If a vital premise is no longer valid, the strategy may have to be changed. The sooner these invalid assumptions are detected and rejected, the better are the chances of changing the strategy

2. Strategic Surveillance

Strategic surveillance is a broad-based vigilance activity in all daily operations both inside and outside the organisation. With such vigilance, the events that are likely to threaten the course of a firm's strategy can be tracked. Business journals, trade

conferences, conversations, observations etc. are some of the information sources for strategic surveillance

3. Special Alert Control

Sudden, unexpected events can drastically alter the course of the firm's strategy. Such events trigger an immediate and intense reconsideration of the firm's strategy

4. Implementation Control

Strategy implementation takes place as a series of steps, programmes, investments and moves that occur over an extended period of time. Resources are allocated, essential people are put in place, special programmes are undertaken and functional areas initiate strategy related activities. Implementation control is aimed at assessing whether the plans, programmes and policies are actually guiding the organisation towards the predetermined objectives or not. Implementation control assesses whether the overall strategy should be changed in the light of the results of specific units and individuals involved in implementation of the strategy. Two important methods to achieve implementation control are

A. Monitoring Strategic Thrusts

Strategic thrusts are small Strategic Evaluation and Control Notes critical projects that need to be done if the overall strategy is to be accomplished. They are critical factors in the success of strategy. One approach is to agree early in the planning process on which thrusts are critical factors in the success of the strategy. Managers responsible for these implementation controls will single them out from other activities and observe them frequently. Another approach is to use stop/go assessments that are- linked to a series of these thresholds (time, costs, success etc.) associated with a particular thrust

B. Milestone Reviews

Milestones are critical events that should be reached during strategy implementation. These milestones may be fixed on the basis of;

- (a) Critical events
- (b) Major resource allocations
- (c) Time frames etc

5.10 Essential Features of an Effective Evaluation and Control System:

An effective evaluation and control system is vital for ensuring that strategies are implemented successfully and organizational goals are achieved. It provides management with accurate and timely information about performance, identifies deviations from plans, and supports corrective action. A well-designed control system must possess several key features that make it reliable, flexible, and efficient.

1. Clarity of Objectives

An effective control system begins with clearly defined objectives. The goals of the organization must be specific, measurable, attainable, relevant, and time-bound (SMART). Clear objectives help managers understand what is expected and make it easier to compare actual performance against set standards. Without clarity, evaluation becomes inconsistent and confusing. Well-stated objectives act as the foundation for meaningful control and accurate performance assessment.

2. Appropriateness of Standards

The standards used for evaluation should be appropriate, realistic, and relevant to the organization's activities. They should reflect both quantitative measures, such as profit margins and productivity, and qualitative measures, such as employee morale and customer satisfaction. Proper standards make performance comparisons fair and meaningful. If standards are either too high or too low, they may mislead management and cause incorrect conclusions. Hence, accuracy in setting standards is essential.

3. Accuracy and Reliability of Information

An effective control system must be based on accurate, reliable, and up-to-date information. Incorrect or outdated data can lead to poor decisions and ineffective control. The system should ensure that information flows smoothly and reaches the right people at the right time. Reliable information builds confidence among managers and ensures that corrective measures are taken based on facts, not assumptions. Information accuracy determines the overall success of the evaluation process.

4. Timeliness

Timeliness is one of the most important features of an effective evaluation and control system. The information provided must reach decision-makers quickly enough to take corrective action before problems escalate. A delay in reporting or evaluation may make the information irrelevant. Timely control enables proactive management, allowing organizations to respond promptly to environmental changes and unexpected challenges.

5. Flexibility

An effective control system should be flexible enough to adapt to changes in the business environment. Market trends, technology, and customer preferences can shift rapidly, and a rigid system may fail to capture new realities. Flexibility ensures that the control process remains relevant and effective even when strategies, goals, or conditions change. A flexible control mechanism supports continuous improvement and innovation in management practices.

6. Simplicity and Understandability

The control system should be simple and easy to understand for all levels of management. Complicated procedures or technical reports may confuse employees and reduce their willingness to cooperate. A simple control system promotes better communication, faster decision-making, and higher efficiency. When employees clearly

understand the control process, they can contribute more effectively to achieving organizational goals.

7. Focus on Strategic and Critical Points

An effective evaluation and control system should focus on key result areas or strategic points that have a major impact on organizational success. It is neither possible nor necessary to monitor every activity in detail. By concentrating on critical factors such as profitability, productivity, customer satisfaction, and market share, management can allocate resources efficiently and identify performance problems early.

8. Objectivity

Control and evaluation should be based on objective, measurable criteria rather than personal opinions or biases. Objective control reduces conflicts and ensures fairness in performance assessment. It also helps in building trust and cooperation among employees. Objective evaluation makes it easier to identify true performance gaps and design appropriate corrective actions.

9. Cost-effectiveness

The cost of operating the control system should be justified by the benefits it provides. A control system that is too expensive or time-consuming defeats its purpose. The system should be designed to gather only essential information that adds value to decision-making. Cost-effective control ensures efficient use of organizational resources and avoids unnecessary administrative burdens.

10. Corrective Action Orientation

An effective control system should not stop at identifying deviations but must also provide ways to correct them. It should help managers develop practical solutions to overcome problems and improve performance. Corrective action ensures that strategic objectives remain achievable despite obstacles. This orientation toward improvement makes control a continuous and constructive process rather than a fault-finding activity.

Check Your Progress

Choose the Correct Answer:

1. The primary importance of strategy evaluation is to:

- a) identify deviations and take corrective action
- b) hire new employees
- c) reduce marketing costs only
- d) increase daily production

Answer: a) identify deviations and take corrective action

2. Which of the following is a quantitative factor used in strategy evaluation?

- a) Employee morale
- b) Market share
- c) Customer satisfaction
- d) Brand reputation

Answer: b) Market share

3. Strategic control involves:

- a) only preparing budgets
- b) monitoring and evaluating strategy implementation
- c) recruiting staff
- d) conducting training programs

Answer: b) monitoring and evaluating strategy implementation

4. Which of the following is not a type of strategic control?

- a) Premise control
- b) Implementation control

- c) Feedback control
- d) Payroll control

Answer: d) Payroll control

5. An essential feature of effective evaluation and control systems is:

- a) simplicity and flexibility
- b) complexity and rigidity
- c) ignoring feedback
- d) focusing only on costs

Answer: a) simplicity and flexibility

Small Questions – LOCF Mapping Table

S.No	Small Question	CO	Bloom's Level	PO
1	What is the importance of strategy evaluation?	CO1	Remember	PO1
2	Name the quantitative and qualitative factors used in strategy evaluation.	CO2	Understand	PO2
3	What is strategic control?	CO1	Remember	PO1
4	List the types of strategic control.	CO2	Remember	PO2
5	What are the essential features of an effective evaluation and control system?	CO3	Understand	PO3

Big Questions – LOCF Mapping Table

S.No	Big Question	CO	Bloom's Level	PO
1	Explain the importance of strategy evaluation in an organization.	CO1	Understand	PO1
2	Discuss the criteria and quantitative and qualitative factors used in strategy evaluation.	CO2	Analyze	PO2
3	Explain the process of strategic control with examples.	CO1	Understand	PO1
4	Describe the types of strategic control and their applications.	CO2	Analyze	PO2
5	Discuss the essential features of effective evaluation and control systems.	CO3	Evaluate	PO3

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