STRATEGIC MANAGEMENT

40 MARKS COVERED

SMCF

CS PROFESSIONAL

Group 2 Paper 5

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Chapters Covered

Lesson 1: Introduction to Strategic Management
Lesson 2: Analysing the External and Internal Environment
Lesson 3: Business Policy and Formulation of Functional Strategy
Lesson 4: Strategic Analysis and Planning
Lesson 5: Competitive Positioning

Lesson 6: Managing the Multi-Business Firm and Analyzing Strategic Edge

Exam Importance (covered in the end)

Introduction to Strategic Management

Strategic Management refers to long-term **direction**, **purpose**, **scope**, **objectives**, **policies**, and **resource allocation** of an organisation.

Meaning

It is a continuous process of **setting objectives**, **formulating strategies**, **implementing plans**, and **reviewing performance** for long-term success.

Important Definitions

• **Chandler:** Determination of **long-term goals**, **course of action**, and **resource allocation**.
• **Glueck:** Decisions and actions for developing **effective strategies** to achieve **corporate objectives**.
• **Paine & Naumes:** Decisions with **wide impact**, **long-term perspective**, and **critical resource use**.
• **Hambrick & Chen: Formulation and implementation** of major goals based on **internal** and **external assessment**.

Strategic Management Process

A continuous cycle of **analysis**, **choice**, **implementation**, and **evaluation** aimed at improving performance.

Four Phases of Strategic Management

1. Environmental Scanning

• Review **strengths**, **weaknesses**, **opportunities**, **threats** (SWOT).
• Align strategic factors with **mission** and **objectives**.
Illustration: A mobile company identifies rising demand for **budget smartphones** through external scanning.

2. Strategy Formulation

• Develop **corporate**, **business**, and **functional strategies** based on scanning results.
Illustration: A firm diversifies into **solar equipment** after analysing renewable energy trends.

3. Strategy Implementation

• **Organisational structure**, **resource allocation**, **decision-making systems**, and **human resource management** are aligned to execute chosen strategy.

4. Strategy Evaluation

• Review **internal and external factors**, **measure performance**, and take **corrective action** to maintain strategic alignment.

Components of Strategic Management

• **Environmental Scanning**
• **Strategy Formulation**
• **Strategy Implementation**
• **Strategy Evaluation**

Strategic Leadership

Definition (May)

Ability to influence others to make decisions that improve **long-term success** and maintain **financial stability**.

Strategic leadership involves **vision articulation**, **motivation**, **change management**, and ensuring activity alignment with long-term goals.

Roles & Responsibilities

Strategic leaders:
• Create **organisational structure**
• Allocate **resources**
• Communicate **strategic vision**
• Handle **uncertain environments**

Purpose

• Enhance **strategic productivity**
• Align **employee behaviour** with organisation's requirements

Building Confidence & Autonomy

Leaders encourage employees' **independent ideas** while ensuring movement towards **organisation goals**. **Rewards and incentives** improve performance.

Functional Strategic Leadership

Emphasises **creativity**, **resourcefulness**, and **goal achievement**.

Nine Key Roles of a Strategic Leader

1. **Navigator** – Handles **complex issues** and drives action.
2. **Strategist** – Plans **long-range goals**.
3. **Entrepreneur** – Identifies **opportunities** for new products, services, markets.
4. **Mobilizer** – Aligns **stakeholders** and **resources** for fast execution.
5. **Talent Advocate** – Attracts and retains **skilled personnel**.
6. **Captivator** – Builds **passion** and **commitment**.
7. **Global Thinker** – Integrates **diverse information** for better decisions.
8. **Change Driver** – Creates an environment of **continuous change**.
9. **Enterprise Guardian** – Protects **shareholder value** through bold decisions.

Illustration: A CEO shifting from physical retail to **e-commerce** acts as a strategist and change driver.

Strategic Management: Importance for Company Secretaries

Evolving Role

Post **Companies Act, 2013**, the CS performs roles such as:
• **KMP**, **Compliance Officer**, **Internal Auditor**, **GST Professional**, **Registered Valuer**, **Insolvency Professional**, **Advisor**, **Corporate Planner**, **Strategic Manager**.

Strategist vs Knowledge Worker

A CS must anticipate **political**, **economic**, **social**, **technological**, and **legal** changes (PESTL) and guide the Board strategically.

Balancing Affairs & Governance

A CS acts as a bridge between **Board**, **shareholders**, and **regulators**, while maintaining **corporate governance** and resolving ethical dilemmas.

Strategic Impact

CS contributes to:
- **Risk Management**
- **Sustainability Assessment**
- **Vision and Mission Development**
- **Competition Analysis**
- **CSR Guidance**

Illustration: During IPO preparation, the CS ensures **SEBI compliance**, **due diligence**, and **governance standards**.

Strategic Roles of a Company Secretary

1. **Advisory** – Board evaluation and training.
2. **Stakeholder Communication** – Link between Board and business.
3. **Disclosure & Reporting** – Governance section of **Annual Report**.
4. **Board Meetings** – **Agenda-setting**, information sharing, follow-up.
5. **Compliance** – Companies Act, **SEBI**, **GST**, **Labour Laws**.
6. **Representation** – Before **NCLT**, **NCLAT**, **CCI**.

Strategic Planning

Definition (Allison & Kaye)

Process of defining **strategy**, allocating **resources**, and establishing **control mechanisms**.

Strategic Planning Cycle

- Define **mission**
- Set **goals**
- Examine **internal strengths and weaknesses**
- Examine **external opportunities and threats**
- Conduct **SWOT analysis**
- Formulate **final strategy**

Strategic planning is **iterative**; mission may change depending on findings.

Benefits of Strategic Planning

- **Improved Results & Confidence**
- **Focus on Future**
- **Better Problem Solving**
- **Teamwork & Learning**
- **Clear Communication**
- **Greater Control Over Environment**

Illustration: A company facing falling profits adopts strategic planning to **reposition products** and expand into **new markets**.

Limitations of Strategic Planning

- **High Cost** of time and resources
- **Poor Plans** due to wrong assumptions
- **Implementation Failure** causing frustration and loss of confidence

BOARD OF DIRECTORS AND CORPORATE SOCIAL RESPONSIBILITY

The **Board of Directors** plays a pivotal role in ensuring **good governance**. The contribution of directors is critical to the way a corporate conducts itself. A Board's responsibilities derive from **law**, **custom**, **tradition**, and **prevailing practices**.

Today, issues of **transparency**, **disclosure**, **accountability**, **sustainability**, **corporate citizenship**, and **globalization** form major concerns for Boards, while they also respond to the **explosive demands of the marketplace**.
This **two-dimensional role** is central to creating a **sound**, **efficient**, **vibrant**, and **dynamic** corporate sector committed to **integrity**, **transparency**, **conduct**, **accountability**, and **social responsibility**.

Company Secretaries are best suited to advise the Board in playing this role efficiently.

ROLE OF BOARD OF DIRECTORS IN MAKING STRATEGIC DECISIONS

1. Trust and Responsibility

The institution of the Board is based on the premise that **trustworthy and respectable people** should safeguard the interests of **shareholders** who are not directly involved in management.
The Board occupies a **position of trust** and must act in the **best interests of the company**.

2. Contribution to Leadership and Governance

The Board provides direction with respect to **leadership**, **vision**, **strategy**, **policies**, **monitoring**, **supervision**, and **accountability** to shareholders and stakeholders.
It ensures sustained performance and adherence to **best corporate governance practices**.

3. Defining Purpose and Setting Strategy

An effective Board:
• Defines the **company's purpose**
• Sets **strategy** to deliver it
• Shapes **culture** and business conduct

The Board identifies trends such as **technological change** and **environmental impacts**, and evaluates how these and the company's **principal risks and uncertainties** are addressed.
It must understand **how value is created**, including **intangible value**, and take a **long-term view** even when investor interests differ.

An effective Board provides **entrepreneurial leadership** within **prudent and effective controls**, enabling proper **risk assessment and management**.
It promotes a collective vision of **purpose**, **culture**, **values**, and **desired behaviour**.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Definition and Purpose

CSR is the way firms integrate **social**, **environmental**, and **economic concerns** into their **values**, **culture**, **decision making**, **strategy**, and **operations** in a **transparent** and **accountable** manner, thereby creating wealth and improving society.

Historical Background

The modern era of CSR began in the **1950s**.
In **1953**, **Howard Bowen** published *"Social Responsibilities of the Businessman"*, earning the title **Father of Modern CSR**. He defined CSR as the obligation to pursue actions consistent with **societal objectives and values**.

WBCSD Definition (1999)

CSR is a **continuing commitment** by business to **behave ethically**, contribute to **economic development**, and improve the **quality of life** of employees, families, local communities, and society.

Concept of CSR

CSR requires companies to consider not only **profitability and growth**, but also the **interests of society and the environment** and to take responsibility for the **impact of their activities**.

CSR AS A STRATEGIC OPPORTUNITY

CSR has evolved into a **strategy and business opportunity** to earn **stakeholder goodwill**. It includes:

1. **Social, economic, ethical and moral responsibility**
2. **Compliance** with legal and voluntary requirements
3. Addressing **needs of the economy and disadvantaged groups**
4. **Management** of corporate responsibility activities
5. **Proper implementation** of CSR projects

Importance of CSR as a Business Strategy

• Builds **trust and partnerships** with customers, suppliers, and employees
• Encourages **NGO collaboration** for innovative solutions
• Enhances **market reach** and strengthens **stakeholder relations**

CSR UNDER COMPANIES ACT, 2013

Under **Rule 2(d)**, CSR means activities undertaken under **section 135**, but excludes:

1. **Activities in Normal Course of Business**
   (Exception for specified **COVID-19 R&D** for FY 2020–21 to 2022–23.)
2. **Activities Outside India**
   Except training for **Indian sports personnel**.

3. **Political Contributions**
   Under **section 182**.

4. **Activities Benefiting Employees**
   As per **Code on Wages, 2019**.

5. **Sponsorship Activities**
   Undertaken for **marketing benefits**.

6. **Activities for Statutory Obligations**
   Activities carried out to fulfil **legal requirements**.

BENEFITS OF CSR

1. **Enhanced Public Image and Brand Equity**
   CSR builds **trust**, **credibility**, and **reliability**, strengthening brand equity.

2. **Employee Loyalty and Engagement**
   CSR encourages **social involvement**, fostering loyalty and commitment.

3. **Reduced Regulatory Intervention**
   Voluntary responsibility discourages excessive **government regulation**.

4. **Positive External Impact**
   CSR benefits society due to its **interdependent relationship** with business.

5. **Balance of Power and Responsibility**
   Ensures businesses use their power responsibly.

6. **Cooperative Industry Relationships**
   Companies collaborate to address issues that are difficult individually.

7. **Employee Well-being and Job Creation**

8. **Investor and Financial Institution Attraction**
   Investors prefer firms with strong **CSR performance**.

9. **Government Incentives**
   Companies going beyond compliance receive **faster approvals**.

FACTORS INFLUENCING CSR

1. **Globalisation**

2. **Government and Intergovernmental Standards**

3. **Advances in Communication Technology**

4. **Consumer and Investor Interest**

5. **Corporate Ethics Breaches**

6. **Public Expectations**

7. **Limitations of Government Regulations**
8. **Business Benefits**
9. **Attraction of Ethical Talent**
10. **Executive Mindset**
11. **Quality of Implementing Agencies**

ROLE OF BOARD OF DIRECTORS IN CSR

The Board must:
- **Approve** the CSR policy
- **Disclose** the policy in its report and on the website
- **Ensure** CSR activities are undertaken
- **Ensure spending** of **2% of average net profits** of preceding 3 years
- **Monitor utilisation** of CSR funds
- Specify reasons for **unspent amounts** under **section 134(3)(o)**
- Transfer **unspent amounts** as per **sections 135(5) and 135(6)**
- **Modify** the annual action plan on CSR Committee recommendations

The Board also decides on:
- Monitoring of ongoing and other projects
- **Administrative overheads**
- Setting off **excess CSR spend**
- **Transfer of capital assets**
- CSR reporting and **impact assessment**
- Website disclosures

CSR AND CORPORATE GOVERNANCE

CSR has moved from **philanthropy** to an **integrated approach** within governance.
Corporate governance embeds CSR by requiring companies to consider **stakeholders**, **society**, **environment**, **employees**, and **consumers**, and to take responsibility for the **impact of their activities**.

Companies with strong governance are **socially and environmentally responsible**, demonstrating a commitment to **ethics**, **transparency**, and **accountability**.

CORPORATE GOVERNANCE

Corporate governance refers to the **processes, customs, policies, laws, and institutions** that direct organisations.
It aims to achieve organisational goals while managing relationships with **stakeholders**, including the **Board** and **shareholders**.
It ensures effective strategic decisions, reduces **principal–agent problems**, and promotes **investor confidence** and **economic development**.

OBJECTIVES OF CORPORATE GOVERNANCE

• An **independent and competent Board**
• Presence of **non-executive** and **independent directors**
• **Transparent procedures and practices**
• Mechanisms to address **stakeholder concerns**
• Ongoing monitoring of **management**
• Effective **control** of the company's affairs

CORPORATE GOVERNANCE AND ROLE OF COMPANY SECRETARY

A Company Secretary:
• Acts as a **vital link** between Board, shareholders, stakeholders, and regulators
• Ensures **Board procedures** are followed and reviewed
• Provides guidance on **legal duties** and **powers**
• Acts as **Compliance Officer** and **in-house counsel**
• Advises on **corporate**, **business**, **economic**, and **tax laws**
• Serves as the **conscience-keeper** of the company

Core Competencies Required

• Thorough knowledge of the company's **business**
• Strong knowledge of **company law**, **capital market laws**, and **industry laws**
• Strong **communication**, **professional**, **legal**, **management**, and **IT skills**
• Sensitivity to Board dynamics
• Awareness of emerging governance developments
• Ability to build **consensus**
• Flexibility, creativity, and detail orientation
• Calmness under pressure

LESSON

Analysing the External and Internal Environment

ENVIRONMENTAL INFLUENCES OF BUSINESS

Definition of Business Environment

The business environment refers to all **external forces** or **factors** that have a **direct or indirect impact** on the functioning of a business. Every business contributes to **economic growth**, creates **employment opportunities**, and supplies diverse **goods and services** for human consumption. A business organisation does not exist in isolation; it must continuously consider both its **external environment** and **internal environment** while operating.

Definitions

According to **Keith Davis**, the business environment is "the aggregate of all **conditions**, **events**, and **influences** that surround and affect the business."
According to **Bayord O. Wheeler**, it is "the total of all things **external to a business firm** which affect its **operations**."
According to **Arthur M. Weimer**, it is "the **climate** or set of **economic**, **social**, **political**, or **institutional** conditions in which business is conducted."

Impact of Business Environment

The business environment may generate **opportunities** or create **threats** for a firm. A business is also influenced by **internal factors**, which arise from within the organisation. Policymakers and top management focus mainly on the **external environment**, while middle and lower-level managers concentrate on the **internal environment**.

Comprehensive Definition

The business environment may be defined as the **sum total** of all **individuals**, **institutions**, and **forces** that lie outside the control of a business enterprise but still influence its **performance** and **sustainability**.

Components of the Business Environment

The business environment consists of **suppliers**, **competitors**, **consumers**, **government**, **bankers**, **economic conditions**, **market conditions**, **technologies**, **political forces**, and many other external institutions.

Illustration

If the Government increases **income tax**, customers may reduce their consumption expenditure. As a result, the business must revise its **pricing policy** to protect its profitability. Even though the firm did not cause the tax change, it must **adapt** to maintain stability.

IMPORTANCE OF ENVIRONMENTAL STUDY

Studying the business environment enables firms to develop **strategies**, set **long-term policies**, and define **objectives**.
It helps in preparing **action plans** to manage change, forecasting the impact of **socio-economic developments**, analysing **competitor strategies**, and ensuring the business remains **dynamic** and **up-to-date**.

CHARACTERISTICS AND COMPONENTS OF BUSINESS ENVIRONMENT

Characteristics of Business Environment

The business environment is **dynamic**, as it changes frequently and affects business operations continually.
It has both **direct** and **indirect impact** on the business.
It consists of **internal factors** and **external factors**.
It is an **integral part** of every business.
It influences **business decisions**, prompting proactive or reactive responses.
It is **multi-dimensional**, considering both positive and negative effects.

Components

The business environment comprises the **External Environment** and the **Internal Environment**.

(i) EXTERNAL ENVIRONMENT

The external environment includes all **uncontrollable factors** that influence a business from outside, such as **shareholders**, **legal forces**, **competitors**, **customers**, **government policies**, **technology**, and **society**.
It is divided into the **Micro Environment** and the **Macro Environment**.

A. EXTERNAL MICRO ENVIRONMENT

Suppliers

Suppliers provide essential **inputs** such as raw materials, finance, fuel, and power. Any rise in input cost or scarcity affects **production schedules** and **profitability**. Businesses often maintain **multiple suppliers** to ensure uninterrupted operations.

Customers

Customers include **households**, **retailers**, **producers**, **government**, and **foreign buyers**. Customer satisfaction is critical for a firm's **survival** and **growth**.

Marketing Intermediaries

Marketing intermediaries include **transport firms**, **media agencies**, **banks**, and **insurance companies**. They facilitate **distribution**, **promotion**, and **financing**. Maintaining good relations with intermediaries ensures smooth operations.

Competitors

Competitors engage in **price competition** and **non-price competition** such as advertising or sponsoring events. Firms monitor **competitor strategies** continually to maintain or improve customer preference.

Public

Public groups include **environmentalists**, **media**, **consumer associations**, and **local communities**. Public opinion influences a company's **policies**, **image**, and **decision-making**.

B. EXTERNAL MACRO ENVIRONMENT

Economic Environment

The economic environment comprises **agriculture**, **industrial production**, **national income**, **per capita income**, **monetary policy**, **fiscal policy**, **inflation**, and **trade cycles**.
Business decisions differ under **capitalist**, **socialist**, and **mixed economies**.

Political-Legal Environment

This includes the activities of the **legislature**, **executive**, and **judiciary**.
It covers **product standards**, **packaging laws**, **environmental protection**, **advertising restrictions**, and **anti-monopoly regulations**.
A stable political-legal environment promotes business growth.

Technological Environment

Technology refers to the **systematic application of scientific knowledge** and includes **innovations**.
Rapid technological development affects production, communication, and marketing.
Businesses must adopt relevant technologies such as **automation**, **e-commerce**, and **digital tools** to remain competitive.

Illustration

A shop using **online booking**, **UPI payments**, and **social media marketing** competes more effectively than a shop that relies only on traditional selling.

Global / International Environment

This environment includes globalisation, foreign markets, and international rules such as those of the **WTO**.
Liberalisation in 1991 transformed the Indian business landscape.

Socio-Cultural Environment

This consists of **values**, **beliefs**, **customs**, **ethics**, and **consumer behaviour**.
Buying habits and preferences are shaped by social and cultural patterns.

Demographic Environment

Includes **population size**, **age distribution**, **gender ratio**, **literacy levels**, **skills**, and **urban-rural composition**.
These demographic factors affect product demand and market potential.

Natural Environment

Includes **climate**, **geographical conditions**, **raw materials**, **forest resources**, and **mineral deposits**.
Hot regions may have high demand for **air-conditioners**, while polluted areas may have greater demand for **air purifiers**.

Ecological Environment

This refers to the impact of business activities on **air**, **water**, and **soil**.
Businesses must act responsibly to reduce **pollution** and support **sustainability**.
Government regulations, such as those from **Pollution Control Boards**, ensure environmental protection.

(ii) INTERNAL ENVIRONMENT

The internal environment represents a firm's **strengths** and **capabilities**.
It consists of **financial**, **physical**, **human**, and **technological resources**, many of which are controllable.

Value System

The value system reflects an organisation's **ethical beliefs**.
It influences behaviour toward **employees**, **customers**, and **society**.
Strong value systems create strong **corporate culture** and reputation.

Mission and Objectives

The mission states the **purpose of existence**, while objectives guide **strategic decisions**.
A company's **vision** describes what it aims to achieve, and **values** guide ethical conduct.

Organisation Structure

The structure, including the **board of directors**, hierarchy, and managerial professionalism, affects the speed and quality of **decision-making**.

Corporate Culture

A **closed culture** centralises decisions and reduces employee trust.
An **open and participatory culture** encourages communication, confidence, and innovation.

Quality of Human Resources

Employee **skills**, **attitudes**, **capabilities**, and **commitment** determine organisational strength.

Labour Unions

Labour unions negotiate wages and working conditions through **collective bargaining**.
Healthy labour relations ensure smooth business functioning.

Physical Resources and Technological Capabilities

The firm's **plant**, **equipment**, and **R&D capabilities** determine efficiency, innovation, and competitive strength.

PORTER'S FIVE FORCES MODEL

Definition

Porter's Five Forces Model, created by **Michael Porter** of Harvard Business School, is a strategic analysis tool that examines **five industry forces** to determine the **intensity of competition** and the **profitability level** of an industry. Since its publication in **1979**, it has become one of the most widely used and respected **business strategy tools**.

Porter believed that organisations must monitor **direct rivals**, but they must also analyse **broader environmental forces** that shape industry competition. He identified **five forces** that create the **competitive environment** and directly influence **industry profitability**.

These forces determine the **industry structure**, the **level of competition**, and whether the industry is **attractive** or **unattractive**. Stronger forces reduce profitability, while weaker forces improve it. Industries with **low entry barriers**, **few buyers and suppliers**, and **many substitutes** tend to be **highly competitive** and therefore less attractive. Strategic leaders must assess these forces to understand the firm's **competitive strengths and weaknesses** and to formulate an effective strategy.

THE FIVE FORCES

1. Threat of New Entrants

This force evaluates how easily **new firms can enter** an industry. When an industry is profitable and entry barriers are low, competition increases rapidly and existing firms lose market share. Therefore, firms must create **high entry barriers** to discourage new entrants.

The threat of new entrants is high when:
- **Low capital** is required to enter;
- Existing firms are **not dominant**;
- Firms lack **patents, trademarks, or strong brands**;
- **Government regulation** is minimal;
- **Switching costs** for customers are low;
- **Customer loyalty** is weak;
- Products show **low differentiation**;
- **Economies of scale** can be easily achieved.

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2. Bargaining Power of Suppliers

This force measures the ability of **suppliers to raise prices** or reduce the quality of inputs. Supplier power is influenced by the **number of suppliers**, the **availability of substitutes**, and the **cost of switching** to another supplier.

Supplier bargaining power is high when:
- There are **few suppliers** and many buyers;
- Suppliers can **forward integrate**;
- Raw materials have **no substitutes**;
- Suppliers hold **scarce or unique resources**;
- **Switching costs** for buyers are high.

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3. Bargaining Power of Buyers

This force reflects the ability of **buyers to demand lower prices** or higher quality. Buyer power depends on **volume of purchase**, number of buyers, and ease of switching to competitors.

Buyer power is high when:
- Buyers purchase in **large volumes**;
- There are **few buyers** dominating the market;
- **Switching costs** are low;
- Buyers threaten to **backward integrate**;
- Many **substitutes** exist;
- Buyers are **price sensitive**.

4. Threat of Substitutes

This force becomes significant when customers can easily switch to **alternative products** with better price, convenience, or quality. Substitutes reduce demand for the industry's offerings.

Example from the text:
If a firm supplies HR software, buyers may switch to **manual processing** or **outsourcing**, which acts as a substitute.

The threat of substitutes is high when switching costs are low and substitutes are easily available.

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5. Rivalry Among Existing Competitors

This force examines the **intensity of competition** among current firms. High rivalry results in **price cuts**, heavy **advertising**, enhanced **customer service**, and reduced profitability.

Rivalry is intense when:
- There are **many competitors**;
- **Exit barriers** are high;
- Industry growth is **slow or negative**;
- Products are **not differentiated**;
- Products are easily **substituted**;
- **Customer loyalty** is low.

Where rivalry is minimal and differentiation exists, firms may enjoy **monopoly-like stability and profits**.

THE SIXTH FORCE (Suggested by Scholars): Complements

Scholars later added **complements** as a sixth force. Complements are products that **increase the demand** for the primary product, thereby increasing **firm and industry profit potential**.
Examples include **Amazon Prime**, which complements Amazon's platform, and **Jio TV**, which complements Jio's telecom services.

IMPLEMENTING PORTER'S MODEL

Step 1: Gather Information

Managers must collect data relating to each force, such as the **number of competitors**, **supplier concentration**, **availability of substitutes**, and **switching costs**.

Step 2: Analyse the Results

Managers should analyse how strongly each force affects the industry. For example, if many firms of similar size compete in a slow-growth industry, rivalry is high. Different industries face these forces differently, so analysis cannot be generalised.

Step 3: Formulate Strategies

Based on the analysis, managers design strategies to improve the firm's position.
Examples:
• If economies of scale are difficult, choose **cost leadership**.
• If market growth is slow and saturated, use **product development**.

Although Porter's model is highly valuable, it has limitations and must be supplemented with **SWOT**, **PEST**, or **Value Chain Analysis** for comprehensive strategic planning.

Lesson

Business Policy and Formulation of Functional Strategy

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1. Business Policy – Introduction

Business policies are the **guidelines** that govern the actions and decisions of individuals in an organisation. They define the **limits within which decisions must be made** and guide the **acquisition and utilisation of resources** to achieve organisational goals.

Business policy also establishes the **decision-making scope** for subordinates, enabling lower-level management to handle routine issues without referring every matter to top management.

Business policy involves the study of:

- the **roles and responsibilities of top management**,
- the **key issues affecting long-term organisational success**, and
- the **strategic decisions** that shape the organisation's future.

Top-level managers such as the **Chief Executive, President, General Manager, and Executive Director** focus on **long-term direction** rather than day-to-day operations.

2. Features of Business Policy

Business policy concerns decisions that define organisational identity, purpose and direction.
An effective business policy has the following characteristics:

- **Specific:** It must be definite and not vague.
- **Clear:** It must be unambiguous and easily understood.
- **Reliable and Uniform:** It should be consistently applied across the organisation.
- **Appropriate:** It must reflect organisational goals.
- **Simple:** It should be easy for all employees to understand.
- **Comprehensive:** It should have a wide scope and cover essential areas.
- **Flexible:** It should permit adjustment to changing situations.
- **Stable:** It should avoid frequent changes that create uncertainty.

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3. Evolution of Business Policy

3.1 Early Development

The concept originated in **1911** when Harvard Business School introduced an **integrative management course** using case studies to build general management capability.

3.2 Key Milestones

Two major reports in **1959**—the **Gordon & Howell Report** and the **Pierson Report**—recommended a capstone Business Policy course to integrate learning across functional areas.

In **1969**, the American Assembly of Collegiate Schools of Business made Business Policy a **mandatory** requirement for accreditation. It soon became a core element of management education worldwide.

3.3 Evolution Through Managerial Practices

Managers initially relied on day-to-day planning, followed by long-range planning. This later evolved into **strategic planning** and ultimately into **strategic management**, which forms the modern theoretical foundation for business policy.

3.4 The Indian Scenario

Management education in India began expanding in the late 1950s with the establishment of the **IIMs** and the **Administrative Staff College of India**. The Harvard case-study method formed the base model. Over the years, courses such as **corporate strategy**, **management policy**, and **strategic management** became integral to business education.

Vision

Meaning

A **vision** explains what an organisation aims to achieve in the **long run**. It identifies the **future position** the organisation aspires to occupy and creates a **shared sense of purpose**.

A vision statement serves as a **roadmap** guiding strategic initiatives and typically undergoes minimal changes.

Features

A strong vision statement is:

- **Concise**
- **Clear**
- **Future-oriented**
- **Stable**
- **Challenging**
- **Abstract**
- **Inspiring**

Purpose

A vision statement helps to:

- Provide the **foundation** for strategic planning.
- Motivate and attract employees.
- Develop **core competencies** by aligning efforts.
- Differentiate the organisation from competitors.

Mission

Meaning

A **mission statement** defines the organisation's **reason for existence**, describing what it does, whom it serves, and its operational scope. It reflects the organisation's **identity, philosophy, and values**.

Principles for Developing a Mission Statement

A mission should be:

- **Succinct**
- **Memorable**
- **Unique**

- **Realistic** and reflective of present identity

Strategic Levels of the Organization

Corporate Level Strategy

Corporate strategy is the core of the **strategic planning process**. It determines the **growth objectives** of the company, that is, the **direction, timing, extent, and pace of growth**. It highlights the pattern of business moves and goals relating to various **strategic interests**, such as different business units, product lines, customer groups, and markets. It defines how the firm will remain **sustainable in the long run**.

Corporate level strategy occupies the **highest level of strategic decision-making**. It covers decisions relating to:

- the **overall objectives** of the firm,
- the **acquisition and allocation of resources**, and
- the **coordination of strategies** of various **Strategic Business Units (SBUs)** for optimal performance.

Corporate strategy can be described as the **management plan** formulated by the **top management** to **direct and operate the entire organisation**. It is the **master plan** that guides the firm towards success. The more appropriate and well-designed the corporate strategy, the higher are the chances of the firm's success in the market.

According to **Andrews**, corporate strategy is the **pattern of decisions** in a company that determines and reveals its **objectives, purposes or goals**, produces the **principal policies and plans** for achieving those goals, and defines the **range of business** the company pursues and the type of **economic and non-economic contribution** it intends to make to **shareholders, employees, customers, and communities**.

Johnson et al. (2009) emphasise that corporate strategy involves choices about **products and markets**, and how the company plans to operate in those markets. It deals with the **overall scope of the organisation** and how **value is added** to its different parts (business units).

Business-Level Strategy

Business-level strategy applies to organisations that have **multiple businesses**, where each business is treated as a **Strategic Business Unit (SBU)**.

The basic idea of an SBU is to identify **distinct product/market segments** served by the organisation. Each segment has its **own environment**, customers, competitors, and channels. Therefore, each SBU requires its **own strategy**.

For example, a diversified company like Reliance operates in **textiles, yarns, fibres, and petrochemicals**. Each of these product groups has a different market and therefore needs a separate business-level strategy.

At the business level, strategy is a **comprehensive plan** for the SBU that provides:

- **objectives for the SBU**,
- **allocation of resources** among functional areas, and
- **coordination between functions** so that the SBU can contribute optimally to **corporate-level objectives**.

Business-level strategies operate **within the framework of corporate strategy**. Corporate strategy sets the **long-term objectives**, policies, and constraints within which each SBU functions. It also **defines the scope** of operations and **allocates resources** to SBUs, thereby enhancing or limiting their operations.

In simple terms:

- **Corporate strategy** is about **"what businesses to be in"**.
- **Business strategy** is about **"how to compete in those businesses"**.

Corporate strategy is **not** the mere sum of individual business strategies. It focuses on the **shape, balance, growth, and renewal** of the organisation as a whole, rather than market execution in a single business.

Michael Porter identified three main **business-level strategies** to achieve **sustainable competitive advantage**:

- **Cost leadership**,
- **Differentiation**, and
- **Focus**.

Functional-Level Strategy

Functional-level strategy relates to **specific functional areas** such as **finance, marketing, operations, HR, and R&D**. It deals with the **plans and actions** within a single function and is often described as **tactical** in nature.

Functional strategy:

- sets **objectives for a specific function**,
- allocates **resources within that function**, and
- coordinates activities so that the function supports **SBU-level and corporate-level objectives**.

Below functional strategy, there may be **operations-level strategies**. For example, **marketing strategy** as a functional strategy can be broken into **pricing, promotion, sales, and distribution strategies**, each contributing to the overall marketing function.

Comparison: Business Strategy vs Corporate Strategy

Basis	Business Strategy	Corporate Strategy
Meaning	Strategy framed by business managers to strengthen the **overall performance** of a specific business unit.	Strategy expressed in the **mission and scope** of the company, defining the **type of business** and **ultimate goals**.
Created by	**Middle-level management** (division, unit, department managers).	**Top-level management** (Board of Directors, CEO, Managing Director).
Nature	**Executive and governing** – focuses on execution in a particular business.	**Decisive and legislative** – sets overall direction and policies.
Relates to	Selection of **plans to achieve objectives** of a particular business.	Selection of **businesses and industries** in which the company should compete.
Deals with	A **particular business unit or division**.	The **entire organisation**, including all SBUs.
Term	Generally **short-term** strategy.	Generally **long-term** strategy.
Focus	**Competing successfully** in the marketplace.	**Maximising profitability and growth** of the firm as a whole.
Approach	**Introverted** – focused on internal operations of a unit.	**Extroverted** – links the firm with its **external environment**.
Major Strategies	**Cost leadership, differentiation, focus** at the business level.	**Expansion, stability, retrenchment** at the corporate level.

Formulation of Functional Strategy

Finance Strategy

Financial strategy uses **financial metrics** to assess and improve firm performance. Financial goals are often set using **benchmarking** against best-in-industry standards. Key financial metrics include:

1. **Free Cash Flow**
   Free cash flow measures the **financial soundness** of the firm and shows how efficiently it uses its resources to generate **additional cash** for future investments. It is the **net cash** available after deducting capital expenditure and increases in working capital from operating cash flow.

2. **Economic Value Added (EVA)**
   EVA measures the **risk-adjusted bottom-line contribution** by deducting the **cost of capital** from **net operating profit**. It helps management identify which businesses **create value** and which **destroy value**, supporting better resource allocation.

3. **Asset Management**
   Asset management focuses on the **efficient management of current assets and current liabilities** and the **working capital cycle**. It aims to optimize **cash, receivables, inventory, payables and accruals** to improve liquidity and efficiency.

4. **Financing Decisions and Capital Structure**
   Financing involves determining the **optimal capital structure** (mix of debt and equity) that minimises the **cost of capital** and maintains an appropriate **borrowing capacity** while avoiding financial distress.

5. **Profitability Ratios**
   Profitability ratios measure **operating efficiency** and indicate areas requiring corrective action. They relate profit to **sales, assets, and net worth**, and are crucial when a firm aims to **improve value chain activities**.

6. **Growth Indices**
   Growth indices assess **sales and market share growth** and evaluate the trade-off between **growth and cash flows, margins, and returns**. Rapid growth may strain cash and borrowing capacity.

7. **Risk Assessment and Management**
   Risk management involves identifying, measuring and controlling **key business risks**, including those related to **governance and regulatory compliance**. Firms must establish processes to **mitigate risk causes and impacts**.

8. **Tax Optimization**
   Tax optimisation ensures that **business decisions consider tax implications** and aim to enhance **after-tax value**. Global companies may structure operations to **take advantage of differing tax regimes**, within legal limits.

The **Balanced Scorecard** framework has further highlighted **financial performance** as one of the key perspectives and helped link **strategic goals to measurable performance indicators**, increasing the strategic importance of finance.

Strategic Financial Management (SFM)

Strategic Financial Management (SFM) is concerned with:

- developing a **finance strategy** that maximises **Net Present Value (NPV)**, and
- allocating **scarce capital** among competing opportunities.

It revolves around three interlinked **core financial decisions**:

Investment Decision

The investment decision determines **where to invest** available funds.

- It includes **long-term investment decisions** (**capital budgeting**) and **short-term investment decisions** (**working capital management**).
- Capital budgeting evaluates projects based on **expected returns, costs, and risk**, and is crucial for **setting up new units, expansion, and reallocation of funds**.
- Working capital decisions allocate funds among **cash, receivables, and inventory**, balancing **liquidity and profitability**.

Financing Decision

The financing decision determines **the sources of funds** and the **mix of debt and equity**. The objective is to ensure **adequate funds**, **acceptable risk**, and **maximum profitability**.

Dividend Decision

The dividend decision determines **how much of profit to distribute** to shareholders and **how much to retain** for future growth.

- A higher dividend increases **shareholder wealth** and often raises the **market price of shares**, but reduces retained earnings.
- Lower dividends increase **internal financing** and reduce dependence on external funds.

These three decisions are **interdependent** and all aim at **profit maximisation and wealth maximisation** of shareholders.

Marketing Strategy

Strategic marketing is the way a firm **differentiates itself** from competitors by **leveraging its strengths** to provide **superior value** to customers.

A **marketing strategy** is a **long-term, forward-looking plan** to achieve **sustainable competitive advantage**. It involves:

- analysing the firm's **current strategic position**,
- selecting **target markets**, and
- defining a **value proposition** that aligns with the firm's **goals and objectives**.

Definitions

- According to **Kotler and Keller**, marketing strategy lays out **target markets** and the **value proposition** based on an analysis of **market opportunities**.
- According to **Aaker and Mills**, it is an **overall directional concept** that sets out the **planned path**.
- According to **Michael Porter**, it is a **formula for how a business will compete**, what its **goals** should be, and what **policies** are needed to achieve those goals.

In short, **strategic marketing** answers three key questions:

- **Which** markets to compete in?
- **What** is the basis of competitive advantage?
- **When** to compete?

Strategic Marketing Planning – An Overview

The Strategic Gap

Strategic marketing planning involves mapping the company's **future direction** over a horizon of **three, five, or ten years**. It undertakes a **360° review** of:

- the firm's **internal situation**, and
- its **external environment**,

in order to identify:

- **new opportunities** for competitive advantage, and
- potential **threats** to long-term sustainability.

The **strategic gap** is the **difference between where the firm is today and where it should be** to achieve sustainable, long-term growth.

Market Position and Strategy

Based on market share and competitive posture, firms may be classified as:

- **Market leaders**,
- **Market challengers**,
- **Market followers**, and
- **Market nichers**.

Market Leader

The **market leader** has the **largest market share**. Its objective is to **defend and strengthen its dominant position** using strategies such as:

- strong **branding**,
- **product proliferation and diversification**,
- **multi-branding**,
- creating **entry barriers**, and
- **vertical or horizontal integration** and **acquisitions**.

Market Challenger

The **market challenger** holds the **second-largest market share** and adopts an **offensive posture**. It aims to **gain share from the leader** by:

- **competing head-on** in products, pricing, and service,
- using **product, packaging, and service innovations**, and
- entering **new segments or markets**.

Market Follower

The **market follower** is generally **content with its existing position**. It:

- follows a **"wait and watch"** policy,
- often adopts a **"me-too" strategy** after leaders introduce innovations,
- focuses on **cost control** and **steady profits**, and
- seeks to **retain its existing customer base** rather than aggressively expand.

Market Nicher

The **market nicher** serves a **small, specialised segment** to avoid direct competition. It aims to:

- build **strong customer loyalty**,
- deepen and protect its **niche segment**, and
- offer **value for money, superior service, and customised offerings**.

Nichers typically rely on **relationship-building**, **after-sales service**, and **value-adding activities**.

Entry Strategies

According to **Lieberman and Montgomery**, firms entering a market can be classified as:

- **Pioneers**,
- **Close followers**, and
- **Late entrants**.

Pioneers

Market pioneers are the **first entrants** in a market. They:

- develop **innovative products**,
- enjoy potential **first-mover advantages**, and
- may gain benefits through:
    - **technological leadership**,
    - **pre-emption of key assets**, and
    - creation of **buyer switching costs**.

However, pioneers also face higher **costs of educating the market**, higher **R&D costs**, and risk of **imitation** by later entrants.

Close Followers

Close followers enter the market after pioneers once the **profit potential** is visible. They:

- invest significantly in **R&D**, but with the benefit of **learning from pioneers**,
- develop **differentiated offerings** or improved versions of the pioneer's product, and
- may target **different segments** or offer a **better value proposition**.

Late Entrants

Late entrants enter after both pioneers and close followers. They:

- can **learn from earlier players' successes and mistakes**,
- may **reduce costs** through **imitation** and improved processes,
- can succeed if they design an effective **marketing mix** and respond to **evolving customer needs**.

Late entry does not automatically mean a disadvantage; success depends on **strategy, differentiation, and execution**.

Formulation of Human Resource Strategies

Human Resource Planning – Meaning and Definitions

Human resource planning (HRP) is the process of identifying the **current and future human resource needs** of an organisation so that it can achieve its **strategic goals**. It acts as a **link between human resource management (HRM)** and the **overall strategic plan** of the organisation.

According to **Bulla and Scott**, **human resource planning** is "the process for ensuring that the human resource requirements of an organisation are identified and plans are made for satisfying those requirements."

According to **Reilly**, **workforce planning** is "a process in which an organisation attempts to estimate the demand for labour and evaluate the size, nature and sources of supply which will be required to meet that demand."

Human resource planning may include strategies such as:

- **Employer branding**,
- **Retention strategy**,
- **Absence management strategy**,
- **Flexibility strategy**,
- **Talent management strategy**, and
- **Recruitment and selection strategy**.

Human resource planning is a **continuous and systematic process** to achieve the **best use of human resources**. Its key objective is to ensure a **proper fit between jobs and employees**, while avoiding **shortages** or **surpluses** of staff.

The three key elements of HR planning are:

- **Forecasting labour demand**,
- **Analysing present labour supply**, and
- **Balancing projected demand and supply** of labour.

Implementing HR Strategy

Assessing the Current HR Capacity

The first step is **assessing the current HR capacity**, which means taking stock of the **skills, qualifications and experience** of existing employees. This helps in understanding the **current skill set** of the organisation and forms the base for **forecasting future HR requirements**.

Forecasting HR Requirements

The next step is **forecasting future HR needs** based on:

- the **strategic goals** of the organisation, and
- the **current skills and number of employees**.

Typical questions include:

- Which **positions** will need to be filled in the future?
- How many **staff members** will be required to meet strategic goals?
- How will **external environmental forces** (labour market, technology, competition) affect the ability to obtain human resources?

Gap Analysis

In **gap analysis**, the organisation compares its **current HR position** with the **desired future HR position** in light of its strategy.
At this stage, the organisation also **reviews existing HR policies and practices** and decides whether they require **modification** to support future needs.

Developing HR Strategies to Support Organisational Strategy

To bridge the HR gap and support organisational goals, the organisation can adopt the following **HR strategies**:

Restructuring Strategies

Restructuring strategies involve:

- **Reducing staff** (downsizing) where necessary,
- **Regrouping tasks** to create better designed jobs, and
- **Reorganising work groups** to improve **efficiency and productivity**.

Training and Development Strategies

Training and development strategies focus on:

- Upgrading the **skills and competencies** of existing employees,
- Preparing employees for **new roles and responsibilities**, and
- Supporting **career development** and **succession planning**.

Recruitment Strategies

Recruitment strategies involve:

- Attracting and hiring **new employees** with the **skills and qualifications** required for future organisational needs,
- Using **appropriate sources** (campus recruitment, portals, referrals) to get the right talent, and
- Aligning recruitment with the **employer brand**.

Outsourcing Strategies

Outsourcing strategies involve **contracting external individuals or organisations** to perform certain tasks or functions (for example, payroll processing, IT support, housekeeping), so that the organisation can **focus on its core activities**.

Collaboration Strategies

Collaboration strategies involve working with **other organisations** (industry bodies, institutes, partners) to:

- Learn **best practices**,
- Provide employees **exposure and learning opportunities**, and
- Acquire **skills and knowledge** not available internally.

Retention Strategy

A **retention strategy** focuses on **keeping talented employees** in the organisation and improving **employee satisfaction**. Key elements include:

- **Onboarding and orientation**: Designing onboarding so that new employees understand not only their jobs but also the **company culture**, expectations and growth opportunities.
- **Mentorship programmes**: Pairing new employees with **experienced mentors** to support learning and integration.
- **Employee compensation**: Providing **competitive salary and benefits**, including bonuses, paid leave, health insurance, retirement benefits and other **perks**.
- **Recognition and reward systems**: Recognising and rewarding employees who **perform well** or **go the extra mile**, through formal or informal reward programmes.
- **Work-life balance**: Supporting **flexible work arrangements** (flexible timing, telecommuting, hybrid options) to help employees balance work and personal life.
- **Training and development**: Investing in **continuous learning** through workshops, conferences, courses and certifications.
- **Communication and feedback**: Maintaining **open communication channels** and encouraging employees to share their **ideas, questions and concerns**.
- **Dealing with change**: Communicating clearly during **mergers, restructuring or layoffs** so that employees retain **trust and confidence**.

- **Fostering teamwork**: Creating a **collaborative culture** with clear team goals and encouraging **joint problem solving**.
- **Team celebrations**: Celebrating **individual and team milestones** to build morale and a sense of **belonging**.

Illustration (HR Strategy – Practical Example)
A fast-growing online education company realises that many faculty members are leaving after one year. After HR planning and gap analysis, it introduces a **structured onboarding**, **clear career paths**, **mentorship**, and **performance-based bonuses**. Over the next year, **faculty retention improves**, and the organisation avoids constant rehiring and training costs.

Formulation of Production Strategy

A **production strategy** defines how the firm will **produce goods and services** in line with its **overall business strategy**. These strategies can be grouped under:

- **Business strategies**,
- **Competitive priorities**, and
- **Competitive advantages**.

Business Strategies in Production

1. **Differentiation Strategy**
   Under a **differentiation strategy**, the company designs its product or service to be **unique** as compared to competitors. Differentiation may be based on **quality, features, appearance, customer service, or after-sales support**. A differentiated product can usually command **higher prices** and stronger **brand loyalty**.
2. **Cost Leadership Strategy**
   Under a **cost leadership strategy**, the company aims to become the **lowest-cost producer** in the industry. This may be achieved through **economies of scale**, efficient use of resources, and cost control in areas such as **raw materials, labour, advertising, and R&D**. Lower cost of production allows the firm to **offer lower prices** while still maintaining profitability.
3. **Market Segmentation Strategy (Focus Strategy)**
   Under a **market segmentation strategy**, the company **divides the market** into different segments and **targets specific customer groups** with tailored products or services. This is also called a **focus strategy**. For example, a detergent company may offer **different variants** at different prices for different customer segments.

Production Strategies Based on Competitive Priorities

1. **Price or Cost Strategy**
   Under a **price or cost strategy**, the company sets **very competitive prices** to gain or protect market share, especially where products are **homogeneous** and customers cannot easily distinguish brands.

2. **Quality Strategy**
   Under a **quality strategy**, the company offers **premium quality products or services**, often at higher prices, targeting customers who are willing to pay more for **superior quality and brand image** (for example, luxury cars).

3. **Delivery Strategy**
   A **delivery strategy** emphasises **fast and reliable delivery** of products and services. The company focuses on **short delivery times**, **quick response**, and **high availability**, which helps in dealing with competitive markets and reducing uncertainty for customers.

4. **Product Mix or Flexibility Strategy**
   Under a **product mix or flexibility strategy**, the company offers a **wide range of products (product mix)** instead of relying on a single product. This helps in **risk spreading** and meeting **diverse customer needs**, but usually suits **large companies** with significant capacity.

5. **Service Strategy**
   A **service strategy** uses **excellent service** as a competitive tool. This can include **after-sales service**, **24/7 customer support**, installation assistance, complaint handling, and maintenance. Both **consumer goods** and **industrial goods** may require strong service support.

6. **Eco-friendly Products Strategy**
   Under an **eco-friendly (green) strategy**, the company focuses on producing **environment-friendly products** and using **sustainable practices**. Examples include **lead-free petrol**, **mercury-free panels**, **recycling of plastic, metal, paper**, and **biodegradable packaging**. This improves the company's **environmental image** and responds to **social and legal pressures**.

Production Strategies Based on Competitive Advantages

1. **Flexible Response Strategy**
   A **flexible response strategy** means the company **quickly adjusts its production plans** to match changing **market demand**. It focuses on **speed, reliability, and consistent supply** so that there are no shortages. This requires **strict production scheduling** and flexible capacity.

2. **Low Cost Strategy**
   Under a **low cost strategy**, the company competes by offering **low-priced products**, while maintaining **acceptable quality**. This is possible only if the firm maintains **low costs of production and distribution**, generally through **large-scale production** and **efficient operations**.

Formulation of Logistics Strategy

Meaning and Role

A **logistics strategy** is the set of **guiding principles and attitudes** that coordinate **goals, plans and policies** across the **supply chain**. It ensures that logistics supports the company's **products and services** effectively in the marketplace.

A good logistics strategy:

- defines the **service levels** at which logistics is **most cost-effective**, and
- may vary across **product lines, countries or customer segments**.

Levels of Logistics Strategy

- **Strategic Level**:
  At this level, the firm defines its **customer service strategy**, which is the **driving force** behind the design and operation of the logistics supply chain. Inputs include the **nature of products**, **markets**, and **customer service goals**.
- **Structural and Functional Levels**:
  There is a constant interplay between **strategy** and **operations**.
  - **Channel design** identifies **activities and functions** required to achieve customer service goals.
  - **Network strategy** determines the **location and role of facilities** (warehouses, distribution centres) and how they will be used to achieve the **customer service strategy**.

Operational functions like **warehouse operations**, **transportation management**, and **materials management** provide inputs to the **structural design** of the logistics network.

- **Implementation**:
  Implementation brings together **people, processes and IT systems** to support and execute the logistics strategy. It is often the **most challenging** stage.

Elements of the Logistics Strategy Plan

A **logistics strategy plan** is usually developed around the following **eight elements**:

1. **Customer Service Policy**
   This defines the **appropriate level of service** for different product groups or market segments. It considers factors like **order fulfilment time**, **enquiry handling**, and **information availability**. The customer service policy guides the **design of the supply network**.
2. **Inventory Location Policy (Supply Network Nodes)**
   This deals with decisions such as **centralised vs decentralised inventory**, **location of warehouses**, use of **company-owned or third-party facilities**, and whether to **differentiate facilities** by fast- and slow-moving stock.

3. **Inventory Policy**
   This defines the **form, function and level of inventory** at each location. It also determines how **outbound and inbound material planning** is linked so that the right stock is held at the right place and time.

4. **Cost Plan**
   This involves **trade-off analysis** between **costs and service levels** and sets a **cost structure** for logistics operations, including warehousing, transportation, and inventory holding.

5. **Transport and Distribution Policy (Supply Network Links)**
   This covers the choice of **transport modes**, **delivery patterns**, and **storage locations**, depending on whether the firm is **importing or exporting** and the nature of the **markets served**.

6. **IT and Communications Capability**
   This defines which **technologies and software** (planning, scheduling, tracking, communication) will be **developed internally** and which will be **purchased externally**. IT capability is critical for **real-time information** and **coordination**.

7. **Logistics Organisation Structure**
   This relates to whether the organisation is **function-based or flow-based**, how responsibilities are **allocated**, whether teams are **managed or self-managed**, and how logistics integrates with **other functions**.

8. **Logistics Targets and Metrics**
   This sets **performance measures and targets** (for example, delivery time, fill rate, damage rate, logistics cost as a percentage of sales) and establishes a process for **continuous improvement**.

Illustration (Logistics Strategy – Practical Example)
An e-commerce company defines a **customer service policy** of "next-day delivery" in metros. It sets up **decentralised warehouses** near major cities, uses **third-party logistics partners** for last-mile delivery, and tracks all shipments through an **integrated IT system**. Its logistics strategy directly supports its **value proposition** of fast and reliable delivery.

STRATEGIC ANALYSIS AND PLANNING

Strategic analysis and planning involves careful formulation of the **strategies** and **goals** taken by a company's **top management** on behalf of the organization. It is based on:

- Deliberation of **resources**, and
- Assessment of the **internal** and **external environments** in which the organization competes, using various models.

It aims at:

- Providing **overall direction** to the organisation,
- Specifying the organisation's **objectives**,
- Developing **policies and plans** designed to achieve these objectives, and
- **Allocating resources** to implement the plans.

All this requires a careful analysis of the **vision**, **mission**, **objectives**, **goals** and **resources** of the organisation and an **in-depth analysis of the external environment**.

SITUATION ANALYSIS

Meaning of Situation Analysis

Before developing any strategy, the foremost requirement is carrying out a **Situation Analysis** (also called **environmental analysis**). It is an **essential component** of any strategy formulation, and it must be ensured that such analysis is conducted **periodically** to keep strategies **up to date**.

A complete situation analysis focuses on four areas:

1. **The problem** – its **severity** and its **causes**.
2. **The people** – the **potential stakeholders**.
3. **The broad context** – the **environment** in which the problem prevails.
4. **Factors** – factors **facilitating behaviour change**.

A situation analysis takes into account the **internal and external environment** of an entity or organization and clearly identifies:

- Its own **capabilities**,
- **Customers** and **potential customers**,
- **Competitors**, and
- The overall **business environment** and the **impact** these are going to have on the entity or organization.

It can also help in identifying **strengths, weaknesses, opportunities and threats (SWOT)** to the organization or business. This, in turn, helps in **forecasting the choices** that are required to be made, keeping in view the **environmental developments**.

Need of Situation Analysis

A **Situation Analysis**:

- **Paves the way for strategy development** by identification of **priorities**.
- Brings out a **clear, detailed and realistic picture** of:
  - **Opportunities**,
  - **Resources**,
  - **Challenges**, and
  - **Barriers**
    regarding formulation of a **business plan**.

The **quality** of the situation analysis will directly affect the **success of the whole plan**.

Suitability of Situation Analysis

- A **small, well-knitted and focused team** from different **functional areas** of the organisation should conduct the situation analysis.
- Throughout the data collection process, team members should consider the **engagement of concerned stakeholders**, including:
    - **Opinion leaders**,
    - **Service providers**,
    - **Policy makers**,
    - **Partners**, and
    - **Potential beneficiaries**,
    so that maximum output is reaped.

This engagement may be done by:

- Conducting **in-depth interviews**,
- **Focus group discussions**,
- **Community dialogues**,
- **Small group meetings**,
- **Task-force engagements**, or
- **Participatory stakeholder workshops**.

Timing of Conducting Situation Analysis

A **situation analysis** should be conducted:

- At the **beginning** of any **program or project**, and
- **Before** developing a **strategy**.

Elements of Situation Analysis

1. **Product Situation**
   Product situation relates to the **products being offered** by the business at present. It may be sub-divided into:
    - The **core product**, and
    - Any **secondary/ancillary or supporting products/services**.

While doing this, the **needs of the customers** should be taken into account. Since **consumer is the king**, everything needs to be **tailor-made** to the requirements of the customers.

2. **Competitive Situation**
   This involves analysis of the **competitive forces** to identify the **closest competitors**. It includes:

   - Finding out the **core competencies** of the competitors as compared to our own organization,
   - The **areas in which they have a strong hold**, and
   - The **characteristics of the customer segments** that are attracted by the competitors.

3. **Distribution Situation**
   This relates to a review of the **distribution and logistics network** of the organisation. The organisation must evaluate whether its current **distribution channels** and **logistics arrangements** are effective and efficient.

4. **Environmental Factors**
   These include **external and internal environmental factors** which need to be taken into account. This includes:

   - **Economic factors**,
   - **Sociological factors**, and
     other relevant environmental variables that **impact performance**.

5. **Opportunity and Issue Analysis (SWOT)**
   This involves carrying out a **SWOT analysis** (**Strengths, Weaknesses, Opportunities and Threats**). It studies:

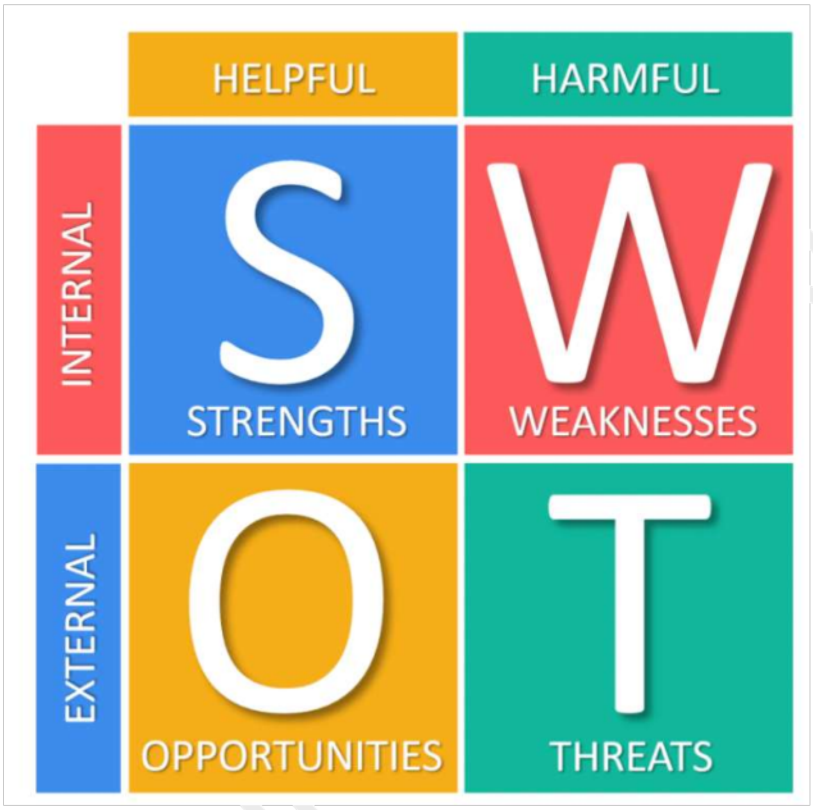
   - **Current opportunities** available in the market,
   - The **main threats** that the business is facing and may face in the future,
   - The **strengths** that the business can rely on, and
   - Any **weaknesses** that may affect business performance.

Effectiveness of Situation Analysis

The effectiveness of a situation analysis can be assessed by asking the following questions:

- Is the currently adopted **situational analysis simple and practical** to use?
- Is it **easy and clear**, even for an outsider, to understand?
- Is it **focused on key factors** that are impacting the business both **internally and externally**?
- Does it **clearly identify future goals** for the business?

STRATEGIC CHOICES – SWOT AND TOWS ANALYSIS



SWOT Analysis – Meaning

SWOT is a tool for **strategic analysis** of any organization. It takes into account:

- The **internal environment** of the company, and
- The **external environment**.

It consists in:

- Recognition of the **key assets and weaknesses** of the company, and
- Matching them to **exploit future opportunities** and **combat threats**.

SWOT is very helpful in **formulating a company's strategy**.

SWOT stands for:

- **S – Strengths**
- **W – Weaknesses**
- **O – Opportunities**
- **T – Threats**

The origin of SWOT analysis is supposed to be rooted in the concept of **"Force Field Analysis"** pronounced by **K. Lewin** in the 1950s. Force Field Analysis was too complex to be practically applied, but it became a reference for scholars to develop simpler methods, including **SWOT analysis**.

It is noteworthy that **SWOT may be successfully applied** in any kind of organization, such as:

- Business or corporate sector,
- Political parties,
- Public institutions,
- Sports clubs,
- Schools or universities, etc.

Case Study – Amazon SWOT

Strengths

- **Brand Identity** – Amazon is synonymous with **online sales services** and focuses on **improving customer satisfaction** during the business process.
- **Pioneer Advantage** – Amazon is undoubtedly the **leader in the online retail industry**.
- **Cost Structure** – Amazon operates on **thin profits** but effectively uses its **cost advantage** and remains profitable.
- **Business Development** – Amazon continuously **improves its service level** and provides **diversified services**.

Weaknesses

- **Low Profit Margins** – Very thin profit margins make the company **vulnerable to external shocks and crises** and to other market changes.
- **Seasonality** – There is **seasonal variation** in revenue, with sales and revenue **peaking in the fourth quarter**.

Opportunities (illustrative)

- **Diversification of e-commerce business**.
- Increasing **awareness of own branded products and services**.
- Developing **local websites** and participating more in **international markets**.
- Expanding **strategic cooperation** between Amazon e-commerce and affiliated industries.

Case Study – Coca-Cola SWOT

Strengths

- **Most sponsored corporate partners**.
- Spread across the world in **650 languages and regions**.
- Market territory spans **nearly 200 countries** on five continents.
- Diversified **beverage portfolio**, not only cola but also other beverages.
- Long **brand history**, giving it a strong **status in the market**.

Weaknesses

- Lack of **integration** and a **common strategic management goal**.
- Failure to **develop new tastes**.
- **Gradual transfer** of customer loyalty.
- Loss of **market development opportunities**.

Opportunities

- Sponsoring the **Olympic Games** and using this opportunity to **promote brands and products** through global advertising.
- Participating in the **World Cup** to gain **world-wide popularity**.
- Entering the **Chinese rural market**.
- Entering the **American film market**.

Threats

1. **Pepsi** is Coca-Cola's **biggest competitor**.
2. Products may **not be favoured by young people** today.
3. Coca-Cola is widely **considered unhealthy** by many people.

TOWS Analysis

		INTERNAL FACTORS	
EXTERNAL FACTORS		Strengths (S)	Weaknesses (W)
	Opportunities (O)	Strengths/ Opportunities (SO)	Weaknesses/ Opportunities (WO)
	Threats (T)	Strengths/ Threats (ST)	Weaknesses/ Threats (WT)

There are 4 types of strategies differentiated:

	Internal-External
Aggressive strategy	(maxi-maxi)
Conservative strategy	(maxi-mini)
Competitive strategy	(mini-maxi)
Defensive strategy	(mini-mini)

	External Opportunities (O) 1. 2. 3.	External Threats (T) 1. 2. 3.
Internal Strengths (S) 1. 2. 3.	**SO** *'Maxi-Maxi' Strategy* Strategies that use **strengths** to maximise **opportunities.**	**ST** *'Maxi-Mini' Strategy* Strategies that use **strengths** to minimise **threats.**
Internal Weaknesses (W) 1. 2. 3.	**WO** *'Mini-Maxi' Strategy* Strategies that minimise **weaknesses** by taking advantage of **opportunities.**	**WT** *'Mini-Mini' Strategy* Strategies that minimise **weaknesses** and avoid **threats.**

TOWS

Meaning of TOWS Matrix

Weihrich developed the **TOWS Matrix** in 1982 as the **next step** of SWOT analysis for developing **alternative strategies**.

The **TOWS Matrix** is a **conceptual framework** for:

- Identifying and analysing **Threats (T)** and **Opportunities (O)** in the **external environment**, and
- Assessing the organisation's **Weaknesses (W)** and **Strengths (S)**.

It is an effective way of **combining**:

a) **Internal strengths** with **external opportunities and threats**, and
b) **Internal weaknesses** with **external opportunities and threats**,

to **develop strategies**.

Difference Between SWOT and TOWS

- In **SWOT analysis**, one generally starts with evaluating **internal strengths and weaknesses**, and then sees how to apply them considering the **external environment**.
- In **TOWS analysis**, one first scans **opportunities and threats** in the **external environment**, and then generates, compares and selects strategies based on **internal strengths and weaknesses** to utilise opportunities and reduce threats.

Michael Watkins (Harvard Business Review) observes that **focusing on threats and opportunities first** leads to more **productive discussions** about what is going on in the external environment, rather than getting bogged down in abstract discussions about what the company is good or bad at.

Therefore:

- TOWS is **not just a reversal of letters** of SWOT.
- **SWOT analysis** is mainly a tool for **audit and analysis** at the beginning of the planning process.
- **TOWS analysis** is mainly a tool for **strategy generation and selection**, used later while deciding on **ways forward**.

TOWS Strategies – Link Between Internal–External Factors and Maxi–Mini Postures

In the **TOWS Matrix**, we make a trade-off between:

- **Internal factors**: **Strengths (S)** and **Weaknesses (W)**, and
- **External factors**: **Opportunities (O)** and **Threats (T)**.

By combining these, we get **four basic strategic directions**, each of which corresponds to a **Maxi–Mini posture**:

---

1. SO Strategies – Strength/Opportunity

(Maxi–Maxi: Aggressive Strategy)

- **Internal condition**: Strong **Strengths (S)**.
- **External condition**: Many **Opportunities (O)**.
- **Core idea**: Use **strengths** to **exploit opportunities** to the maximum.

These are also called **Aggressive Strategies (Maxi–Maxi)**, because the firm is strong inside and faces a favourable environment outside, so it can grow aggressively.

Typical actions under an **SO / Aggressive Strategy**:

- **Capturing opportunities** in the market.
- **Strengthening market position**.
- **Taking over organisations** of the same profile (acquisitions and mergers).
- **Concentrating resources on competitive products** to expand and diversify.

2. ST Strategies – Strength/Threat

(Maxi–Mini: Conservative Strategy)

- **Internal condition**: Strong **Strengths (S)**.
- **External condition**: Serious **Threats (T)** in the environment.
- **Core idea**: Use **strengths** to **overcome or neutralise threats**.

These are also called **Conservative Strategies (Maxi–Mini)**, because the firm is strong internally but the external environment is unfavourable, so the focus is on **protecting and preserving** rather than blindly expanding.

Typical actions under an **ST / Conservative Strategy**:

- **Selection of products** (dropping risky or unprofitable ones).
- **Market segmentation** to focus on safer or more attractive segments.
- **Cost reduction** to stay competitive despite threats.
- **Improvement of competitive products** to withstand pressure.
- **Development of new products** suited to challenging conditions.
- **Searching for new markets** to escape or reduce external threats.

---

3. WO Strategies – Weakness/Opportunity

(Mini–Maxi: Competitive Strategy)

- **Internal condition**: **Weaknesses (W)** dominate over strengths.
- **External condition**: Significant **Opportunities (O)** exist.
- **Core idea**: **Overcome weaknesses** so that the firm can **take advantage of opportunities**.

These are also called **Competitive Strategies (Mini–Maxi)**, because the firm must first build up its internal competitiveness to be able to benefit from the favourable environment.

Typical actions under a **WO / Competitive Strategy**:

- **Expansion of financial resources** to strengthen the firm.
- **Improvement of commercial resources** (sales force, distribution, branding).
- **Improvement of product line**, making products more attractive.
- **Improvement of productivity** to become cost-efficient.
- **Cost reduction** to compete more effectively.
- **Maintenance and building of competitive advantage** by converting weaknesses into strengths.

4. WT Strategies – Weakness/Threat

(Mini–Mini: Defensive Strategy)

- **Internal condition**: Many **Weaknesses (W)**, very few strengths.
- **External condition**: Strong **Threats (T)** and an unfavourable environment.
- **Core idea**: **Minimise weaknesses** to **avoid or reduce threats** and ensure **survival**.

These are also called **Defensive Strategies (Mini–Mini)**, because the organisation is weak and the environment is hostile, so the objective is mainly to **defend**, **survive**, or **exit in an orderly way**.

Typical actions under a **WT / Defensive Strategy**:

- **Gradual withdrawal** from certain markets or products.
- **Cost reduction** across activities.
- **Reduction of productive capacity** to match reduced demand or risk.
- **Ceasing investment processes**, or even
- **Combining with another enterprise** (merger, sale, or strategic alliance) to survive.

Example – Nike TOWS Matrix (Essence)

Nike (incorporated in 1967) is a globally renowned brand in **sports shoes and apparel**.

Strengths (S)

- Strong **brand image**.
- Excellent **marketing capabilities**.
- **Financial strength**.
- Wide **international presence**.
- Huge, well-managed **supply chain and distribution network**.

Weaknesses (W)

- Over-dependence on the **US market**.
- Increasing **marketing** and **overhead operating expenses**.

Opportunities (O)

- **Digitisation** and **product innovation**.
- **Acquisitions**.
- Further **international expansion**.
- Potential for **backward integration**.

Threats (T)

- **Stronger US dollar** hurting earnings.
- Increased **competitive pressure**.
- Growing **HR and marketing expenses**.
- Higher **legal pressures**.

TOWS Strategies

- **SO** – Use strengths to capitalise on opportunities:
    - Invest more in **digitisation and product innovation**,
    - Explore **Asian markets**,
    - Strengthen control over **supply chain**.
- **WO** – Overcome weaknesses to capitalise on opportunities:
    - Expand faster in **international markets** to reduce dependence on the US,
    - **Control operational costs**.
- **ST** – Use strengths to avoid threats:
    - Use **marketing and innovation capabilities** to keep competitive pressure under control,
    - Keep investing in **marketing, R&D and HR**,
    - Focus on **compliance** to handle legal and regulatory pressures.
- **WT** – Reduce weaknesses to avoid threats:
    - Work on cost and efficiency,
    - Invest in **brand-building** and marketing to grow faster.

PROJECT MANAGEMENT

Meaning and Introduction

Project Management is the systematic process of **planning**, **scheduling**, **executing**, **monitoring**, and **controlling** all activities of a project so that it is completed within the specified **time**, **cost**, and **resource** limits.

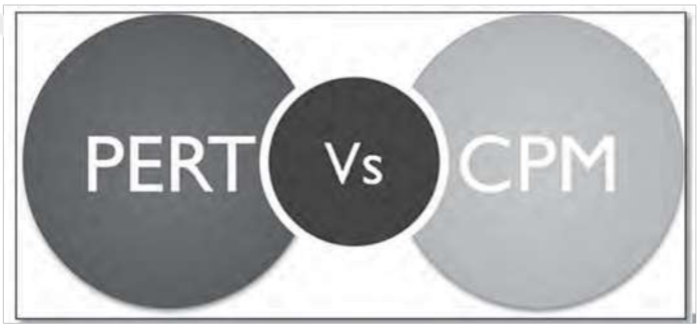
Large projects involve many interdependent activities, and managers must coordinate them effectively. They require realistic scheduling, proper resource allocation, and continuous progress monitoring. Scientific techniques such as **PERT** and **CPM** assist managers in determining the correct activity sequence, total project duration, critical activities, and potential delay points.

Today, **PERT and CPM have been used for a variety of projects, including the following types.**

- Construction of a new plant
- Research and development of a new product
- NASA space exploration projects
- Movie productions
- Building a ship
- Government-sponsored projects for developing a new weapons system
- Relocation of a major facility
- Maintenance of a nuclear reactor
- Installation of a management information system
- Conducting an advertising campaign

PERT/CPM identify the time required to complete the activities in a project, and the order of the steps. Each activity is assigned an earliest and latest start time and end time.

Activities with no slack time are said to lie along the critical path–the path that must stay on time for the project to remain on schedule.



PERT	Vs	CPM
Its Full-Form Project Evaluation & Review Technique.		CPM Full form Critical Path Method.
It is Event oriented technique.		It is activity oriented technique
PERT manages unpredictable activities.		CPM manages the predictable activities
It is focused on time control.		It focus on cost optimization
It was developed in 1958.		It was developed in 1957.
It is a three-time estimate.		It is single time estimates.
It is a probability model.		It is a deterministic model.

PERT (Programme Evaluation and Review Technique)

Meaning and Introduction

PERT is a project management technique used when **activity time is uncertain**. It was developed by the **United States Navy** in the 1950s for the **Polaris missile project**, which involved research and development.

PERT adopts a **probabilistic approach** by using **three-time estimates** to calculate realistic expected durations.

Key Features of PERT

- It is **event-oriented**, focusing on milestones.
- It is used when **activity duration is uncertain**.
- It uses a **probabilistic model**.
- It relies on **three-time estimates** to calculate expected time.
- It emphasises **time management**.
- It is suited for **non-repetitive, unique projects** such as R&D.

Three-Time Estimates in PERT

1. **Optimistic Time (O):** Minimum possible duration.
2. **Most Likely Time (M):** Duration expected under normal conditions.
3. **Pessimistic Time (P):** Maximum possible duration.

Advantages of PERT

- Encourages **detailed planning**.
- Helps identify **schedule changes** and **problem areas**.
- Presents information in a **clear graphical format**.
- Improves the **accuracy of time estimation**.
- Enhances **communication and coordination**.

Limitations of PERT

- Time estimates may be inaccurate as they are **assumption-based**.
- Requires **specialised skills** and is costlier.
- Not suitable for **simple, repetitive tasks**.

CPM (Critical Path Method)

Meaning and Introduction

CPM is a project management technique **used when activity durations are known and certain**. It was developed by **DuPont in 1957 for industrial and construction projects.**

CPM follows a **deterministic model**, meaning it uses a **single-time estimate** for each activity. Its primary objective is to identify the **critical path**, which determines the **minimum project duration**.

This technique is very useful in case of projects which involve a large number of activities. It makes the project manager list out **all the possible activities, their relationships, find out which activities can be performed first, which next and which can be performed simultaneously** so as **<u>to find out the best possible manner of completing the project.</u>**

Key Features of CPM

- It is **activity-oriented**.
- It uses **fixed, certain time estimates**.
- It identifies **critical and non-critical activities**.
- It emphasises **time–cost optimisation**.
- It is suitable for **predictable, repetitive activities**.
- Activities on the critical path have **zero slack**.

Understanding the Critical Path

The **critical path** is the **longest sequence of activities** from the start of a project to its completion.
Its total duration becomes the **minimum time** in which the project can be completed.
Activities on this path have **zero slack**, meaning they cannot be delayed.
If any activity on the critical path is delayed, the **entire project gets delayed**.
Thus, identifying the critical path helps managers focus on tasks that directly determine the project's finish date.

5. DIFFERENCE BETWEEN PERT AND CPM

Basis of Comparison	PERT	CPM
Meaning	Used when activity time is **uncertain**	Used when activity time is **certain**
Model	**Probabilistic**	**Deterministic**
Time Estimates	**Three-time estimates**	**Single-time estimate**
Orientation	**Event-oriented**	**Activity-oriented**
Main Focus	**Time control**	**Time and cost control**
Nature of Activities	**Unpredictable, non-repetitive**	**Predictable, repetitive**
Critical Path	Not clearly differentiated	Clearly identifies **critical path**
Suitable For	R&D and defence projects	Construction and industrial projects

Summary

Project Management

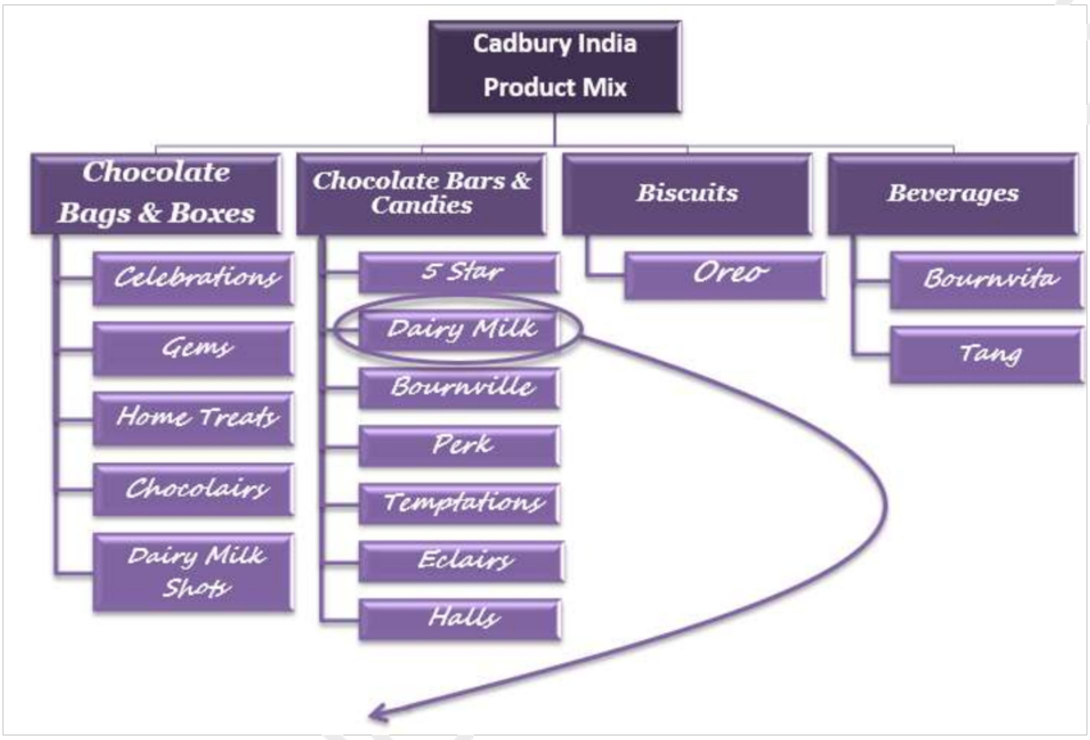
Project Management is the **systematic process** of planning, scheduling, executing, monitoring, and controlling project activities.
Its purpose is to complete the project **within the planned time, cost, and resources**.
It ensures **proper coordination** of all interdependent tasks to achieve the final project objective.

PERT (Programme Evaluation and Review Technique)

PERT is a project management technique used when **activity time is uncertain**.
It uses **three-time estimates** (optimistic, most likely, pessimistic) to calculate a realistic expected duration.
It is mainly used for **research, development, and non-repetitive projects** where uncertainty is high.

CPM (Critical Path Method)

CPM is a project management technique used when **activity time is fixed and known**.
It identifies the **critical path**, which is the **longest sequence of activities** and sets the **minimum project duration**.
It is commonly used in **construction, industrial work, and repetitive projects** where timings are predictable.



PORTFOLIO ANALYSIS

Portfolio Analysis refers to the systematic process of **reviewing and evaluating the entire portfolio of products** offered by a business.
Most organisations do not depend on a single product; instead, they offer a **range of products or brands**, many of which **complement each other**.
Analysing this portfolio is essential because the **strengths and weaknesses within the portfolio** reflect the company's **internal capability** to compete and fulfil customer expectations.

A **Product Portfolio Analysis** helps management determine **which products perform well**, **which require investment**, and **which may need discontinuation**.
This approach was introduced in **1973 by Peter Drucker**, who classified products based on **current and expected profitability**.

Drucker's Seven Categories of Product Portfolio

1. **Today's Breadwinners** – Products that generate **strong current profits** and form the **core strength** of the business.
2. **Tomorrow's Breadwinners** – Products with **high future potential** requiring investment today.
3. **Yesterday's Breadwinners** – Products that **performed well in the past** but are now **declining**.
4. **Developments** – **New or developing products** still undergoing testing or early stages.
5. **Sleepers** – Products with **unrealised potential**, capable of growth if properly supported.
6. **Investments in Managerial Ego** – Products kept due to **managerial attachment**, not performance.
7. **Failures** – **Consistently underperforming products** that drain resources and should be discontinued.

Strength and Weakness Identification

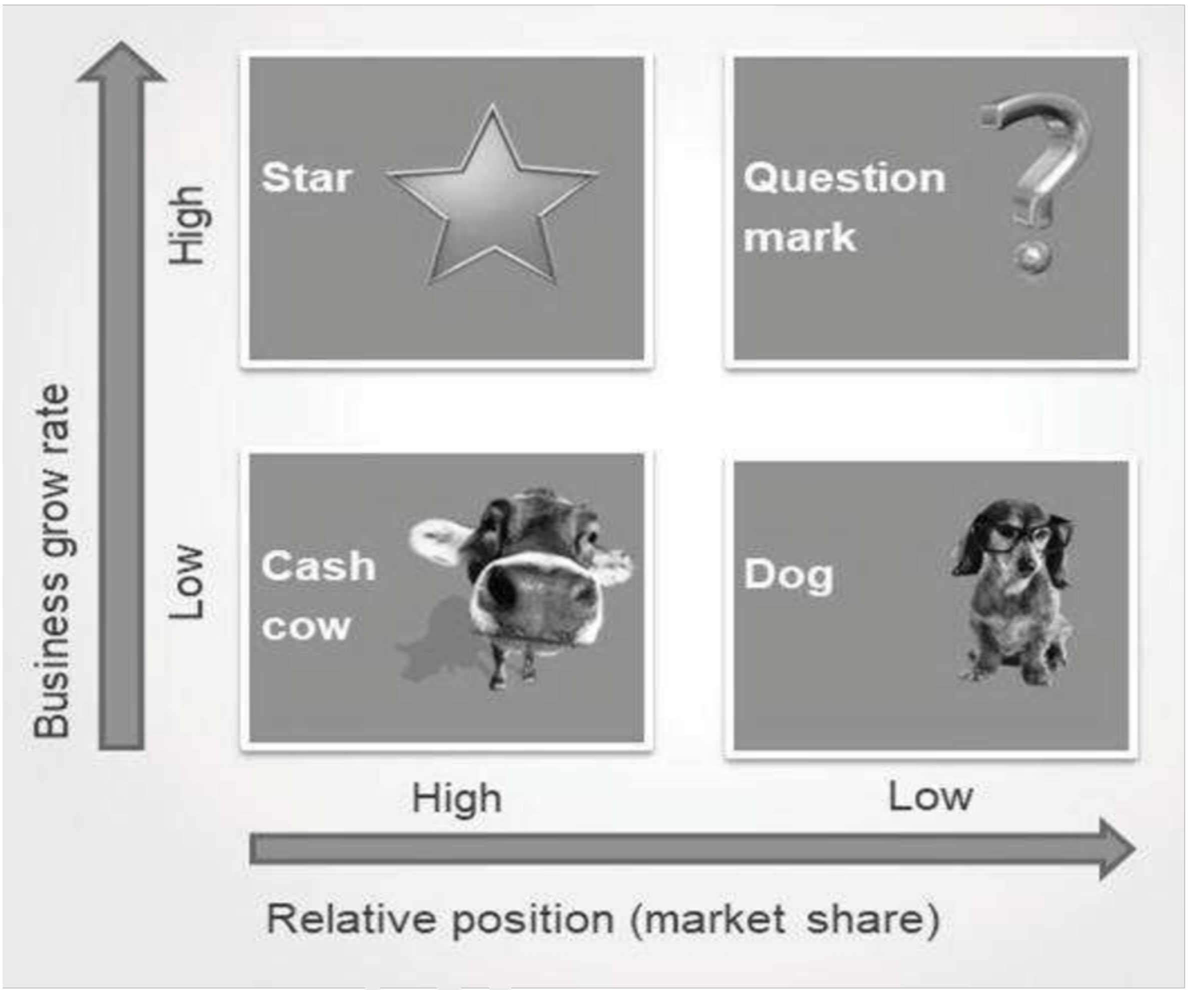
According to Drucker:

- **Strengths:**
  Today's Breadwinners, **Tomorrow's Breadwinners**, **Yesterday's Breadwinners**
- **Weaknesses:**
  Investments in Managerial Ego, **Failures**

This classification helps management identify **value-generating products**, **future contributors**, and **resource-draining items**.

Later Developments

After Drucker, several management thinkers and consulting firms introduced more structured portfolio tools such as the **BCG Matrix** and the **GE–McKinsey Matrix**, which continue to guide **strategic product decisions**.


Business grow rate
High
Low
Star
Question mark
Cash cow
Dog
High
Low
Relative position (market share)

BCG MATRIX

"A company should have a portfolio of products with different growth rates and different market shares. The portfolio composition is a function of the balance between cash flows…. Margins and cash generated are a function of market share." — **Bruce Henderson**, "The Product Portfolio," 1970.

The **BCG Matrix** was developed by the **Boston Consulting Group (BCG)** and is used for the evaluation of the organization's **product portfolio** in **marketing and sales planning**.
BCG analysis is mainly used for **Multi-Category / Multi-Product companies**.

All categories and products together are said to be the part of a **Business portfolio**.

It aims to evaluate each product, i.e. the goods and services of the business, in two dimensions:
- **Market growth**
- **Market share**

The combination of both dimensions creates a **matrix** into which the products from the portfolio are placed:

(Your diagram section remains unchanged)

---

1) Cash Cows

Cash cows are products which have a **high market share** in a **low growing market**. As the business growth rate of market is low, cash cow gains the maximum advantage by generating **maximum revenue** due to its higher market share.

Therefore, for any company, the cash cows is the category of products which:
- require **minimal investment** but
- ensure **higher returns**.

These higher returns raise the level of **overall profitability** of the firm because such excess revenue generation can be used in other businesses which carry products falling in the category of **Stars**, **Dogs** or **Question Marks**.

Strategies for Cash Cows

– Cash cows are the **most stable** product/service line for any business.
– The strategy includes **retention of the market share** for such category.
– As the market growth rate is low and acquisition is less and customer retention is higher, **customer satisfaction programs**, **loyalty programs** and other such **promotional methods** form the core of the marketing plan for a cash cow product.

Stars

The products/services falling in this category are **best products/services** in the product portfolio of any company. This is so because, for such category of products, both **market share** as well as **growth rate** is **high**.

Unlike cash cows, **Stars cannot be complacent** when they are top on because they can immediately be overtaken by another company which capitalizes on the market growth rate. However, if the strategies are successful, a **Star can become a Cash Cow** in the long run.

Strategies for Stars

– All types of **marketing**, **sales promotion** and **advertising strategies** are used for Stars.
– Because of **high competition** and rising market share, the concentration and **investment needs to be high** in marketing activities so as to increase and retain market share.

Question Marks

Several times, a company might come up with an **innovative product** which immediately gains **good growth rate**. However, the **market share** of such a product is unknown.

• The product might **lose customer interest** and might not be bought anymore, in which case it will not gain market share, the growth rate will go down and it will ultimately become a **Dog**.
• On the other hand, the product might **increase customer interest** and more and more people might buy the product, thus making the product a **high market share** product. From here the product can move on to be a **Cash Cow** as it has lower competition and high market share.

Thus **Question Marks** are products which may give **high returns** but at the same time may also **flop** and may have to be taken out of the market. This uncertainty gives the quadrant the name **"Question Mark"**.

The major problem associated with having Question Marks is the amount of **investment** which it might need and whether the investment will give returns in the end or whether it will be **completely wasted**.

Strategies for Question Marks

– As they are **new entry products** with high growth rate, the growth rate needs to be capitalized in such a manner that Question Marks turn into **high market share** products.
– **New customer acquisition strategies** are the best strategies for converting Question Marks to Stars or Cash Cows.
– **Time to time market research** also helps in determining consumer psychology for the product as well as the possible future of the product.
– A **hard decision** might have to be taken if the product goes into negative profitability.

Dogs

Products are classified as **Dogs** when they have **low market share** and **low growth rate**. Thus these products neither generate high amount of cash nor require higher investments.

However, they are considered as **negative profitability products** mainly because the money already invested in the product can be used somewhere else. Thus over here businesses have to take a decision whether they should **divest** these products or they can **revamp** them and thereby make them saleable again which will subsequently increase the market share of the product.

Strategies for Dogs

– Depending on the amount of cash which is already invested in this quadrant, the company can either **divest** the product altogether or it can **revamp** the product through **rebranding / innovation / adding features** etc.
– However, moving a Dog towards a **Star** or a **Cash Cow** is very difficult.
– It can be moved only to the **Question Mark** region where again the future of the product is unknown.
– Thus in cases of Dog products, **divestment strategy** is used.

Strategies based on the BCG Matrix

There are **four strategies** possible for any product/SBU and these are the strategies used after the BCG analysis.

1) Build – By increasing **investment**, the product is given an impetus such that the product increases its **market share**.
Example: Pushing a **Question Mark** into a **Star** and finally a **Cash Cow** (Success sequence).

2) Hold – The company cannot invest or it has other **investment commitments** due to which it holds the product in the **same quadrant**.
Example: Holding a **Star** there itself as higher investment to move a Star into a Cash Cow is currently not possible.

3) Harvest – Best observed in the **Cash Cow** scenario, wherein the company reduces the amount of **investment** and tries to take out **maximum cash flow** from the said product, which increases overall profitability.

4) Divest – Best observed in case of **Dog** quadrant products, which are generally **divested** to release the amount of **money already stuck** in the business.

Thus, the **BCG Matrix** is the best way for a **business portfolio analysis**, and the strategies recommended after BCG analysis help the firm decide on the **right line of action** and help them **implement the same**.

The Original BCG Matrix

In the late 1970s and early 1980s, the growth–share matrix was widely used, with roughly half of all Fortune 500 companies applying it.
The matrix classified business units into **Cash Cows**, **Stars**, **Question Marks**, and **Dogs** based on **market growth** and **market share**.

- **High market share** was believed to give cost advantages and better long-term returns.
- **High market growth** showed where future leadership could be built.

The purpose of the matrix was to help companies decide **where to invest**, **where to hold**, and **where to divest**, while moving cash from mature units to growing units.

Criticism of the BCG Matrix

1. High market share does not always give profit

A business may have a **high market share** but still not make extra money because it must spend a lot to maintain that share.

2. It does not show links between units

The matrix ignores **interdependence**, even though a weak unit may support a stronger one.

3. It ignores niche markets

A business may lead in a **niche segment**, but the matrix makes it look weak in the overall market.

4. Many products do not fit the four boxes

Real businesses do not always fit neatly into **Cash Cow**, **Star**, **Question Mark**, or **Dog** categories.

5. It considers only two factors

Profit depends on many things, but the matrix looks only at **market growth** and **market share**.

6. High share does not guarantee profitability

A unit may sell a lot but still earn low profit because of **high costs** or **strong competition**.

7. It does not consider changing markets

The matrix ignores **declining or shifting markets**, where even Cash Cows can lose value quickly.

BCG's Response to Criticism: Matrix 2.0

1. Changing Business Environment
BCG noted in 2014 that the business world has changed and companies no longer fit neatly into the original matrix.

2. Need for Strategic Experimentation
They recommended using the matrix with **strategic experimentation** to adapt to unpredictable markets.

3. Market Share No Longer Enough
BCG stated that **market share is no longer a reliable measure of competitiveness**, so the matrix needs a **new horizontal axis**.

4. New Portfolio Approach
Companies should **invest in more Question Marks**, help promising ones become **Stars**, **cash out Stars**, **retire old Cash Cows**, and **use Pets (Dogs) for learning**.

5. Google as the Example
Google constantly creates and tests many Question Marks, and **scales up only the ones that succeed**, showing how Matrix 2.0 works in practice.

ANSOFF GROWTH MATRIX – FOUR WAYS TO GROW A BUSINESS

The Ansoff Growth Matrix, also known as the **Product–Market Growth Matrix**, was introduced by **Igor Ansoff** in 1957 to help management teams analyse and select **growth strategies**. It is built on a 2×2 framework that compares:

- **Current versus new products**, and
- **Current versus new markets**.

This creates four strategic options: **Market Penetration**, **Product Development**, **Market Development**, and **Diversification**.

Option 1: Market Penetration

(Focus: **Current products × Current markets**)

Market penetration involves selling **more of the existing products** to:
• Current customers,
• Customers of competitors with similar needs, and
• Potential customers in the same market who are not yet buying.

The aim is to **increase market share** through stronger promotions, improved value, or more aggressive selling. This strategy relies on existing capabilities and is therefore the **least risky**.

Limitations:
Market penetration may offer limited growth if the firm already holds a large market share. Aggressive tactics may also trigger **price wars**, and depending heavily on one market segment increases **business risk**.

Option 2: Product Development

(Focus: **New products × Current markets**)

Product development focuses on creating **new or improved products** for the existing customer base. Companies may:
• Replace older products with better versions,
• Add complementary products, or
• Expand the offering to create a **one-stop solution** for customers.

This helps deepen customer relationships but may attract **new competitors** who already offer similar product ranges.

Option 3: Market Development

(Focus: **Current products × New markets**)

Market development involves taking current products into **new markets**. This can be done by:
• Entering new customer segments—such as offering discounts to students or senior citizens,
• Using new distribution channels—such as online platforms or supermarket partnerships, and
• Expanding into new geographic regions—local, regional, national, or international.

This strategy puts more pressure on marketing and sales while allowing operations to continue doing what they already do well. Some **product modification** may be required to meet local needs.

Option 4: Diversification

(Focus: **New products × New markets**)

Diversification is the **riskiest strategy** because both the product and the market are new to the business. It has three forms:
• **Related diversification**, where the move into new products and new customers still makes strategic sense,
• **Unrelated diversification using existing strengths**, where the company applies its capabilities in new markets, and
• **Unrelated diversification requiring new capabilities**, which is the most difficult and is sometimes called the "**suicide cell**".

Benefits:
Successful diversification reduces the company's overall risk, helps escape **declining or highly competitive industries**, and can smoothen seasonal fluctuations by offering different products at different times of the year.

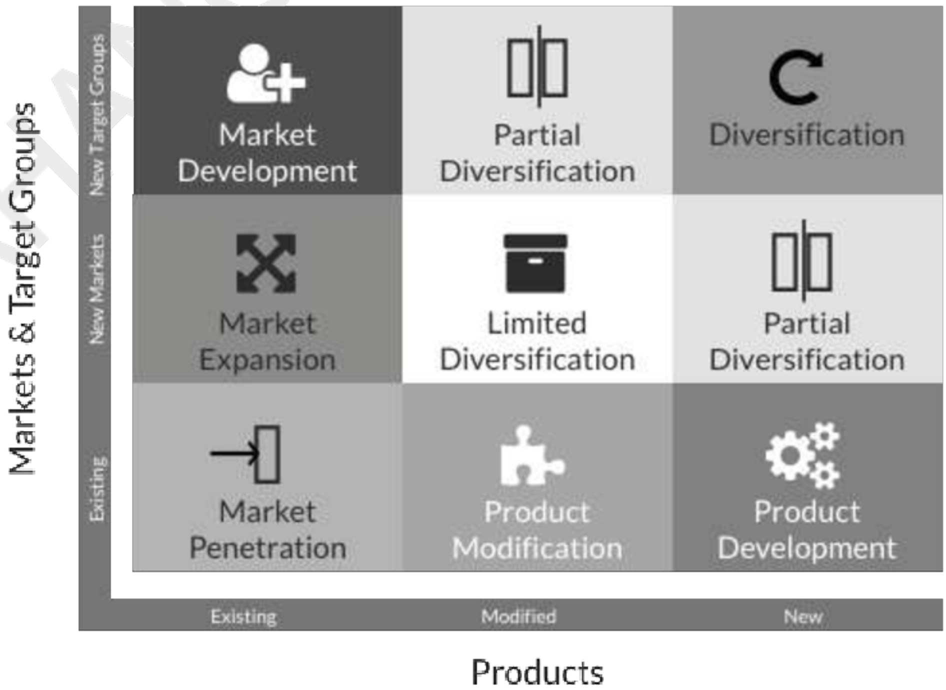
How to Use the Ansoff Growth Matrix

The Ansoff Matrix can be used in two ways:

1. **As a brainstorming tool** to identify all possible strategic growth options.
2. **As an evaluation tool** to check whether the company's planned strategies are balanced across the four categories.

Developments to the Ansoff Growth Matrix

The original matrix developed by Ansoff was the simple 2 x 2 matrix presented above. Ansoff later refined the matrix into a 3 dimensional version which is placed below.



ADL Matrix (Portfolio Management)

		Industry Life Cycle Stage			
		Embryonic	Growth	Mature	Aging
Competitive Position	Dominant	All out push for share. Hold Position.	Hold Position. Hold Share.	Hold Position. Grow with Industry.	Hold Position.
	Strong	Attempt to improve position. All out push for share.	Attempt to improve position. Push for share.	Hold Position. Grow with Industry.	Hold position or Harvest
	Favorable	Selective or all out push for share. Selectively attempty to improve position.	Attempt to improve position. Push for share.	Custodial or maintenance. Find niche and attempt to protect it.	Harvest, or phase out withdrawal.
	Tenable	Selectively push for position.	Find niche and protect it.	Find niche and hang on, or phased out withdrawal.	Phased out withdrawal, or abandon.
	Weak	Up or out	Turnaround or abandon.	Turnaround, orphaned out withdrawal.	Abandon

ADL MATRIX

The **Arthur D. Little (ADL) Matrix** is a portfolio management method based on the concept of the **product life cycle**. It evaluates a business using two dimensions: **environmental assessment** (industry maturity) and **business strength assessment** (competitive position). By combining these assessments, the matrix helps firms understand their **role and position** in the marketplace.

Industry Maturity (Life Cycle Stage)

Industry maturity is similar to the **product life cycle**, but it also considers the behaviour of **industry segments**. The ADL model classifies industry maturity into **four stages**:

1. Embryonic Stage

This is the introduction stage, marked by **rapid market growth**, **little or no competition**, **high prices**, **heavy investment**, and **new technology**.

2. Growth Stage

The market becomes stronger as **sales increase**, and a few competitors enter. Companies build competence in developing and launching new products.

3. Mature Stage

The market becomes **stable**, customer bases are well established, and market shares stop fluctuating. Customers place repeat orders, but with many competitors, firms must **differentiate their products** to stand out.

4. Aging Stage

Market volume begins to **shrink** as demand declines. Gaining market share becomes difficult, and firms must **innovate**, **modify their products**, or **exit the market**.

Industry maturity is assessed based on factors such as **market share**, **investment levels**, **profitability**, and **cash flow**.

Competitive Position

Competitive position describes **how strong a Strategic Business Unit (SBU) is** within its competitive environment. It is based on **product strength**, **market performance**, and **geographical reach**. The ADL Matrix identifies **five positions**:

1. Dominant

The company holds a **near-monopoly position**, usually created by breakthrough innovation or an exceptionally strong brand.

2. Strong

The company has a **high market share** and maintains a powerful position even when competitors act aggressively.

3. Favourable

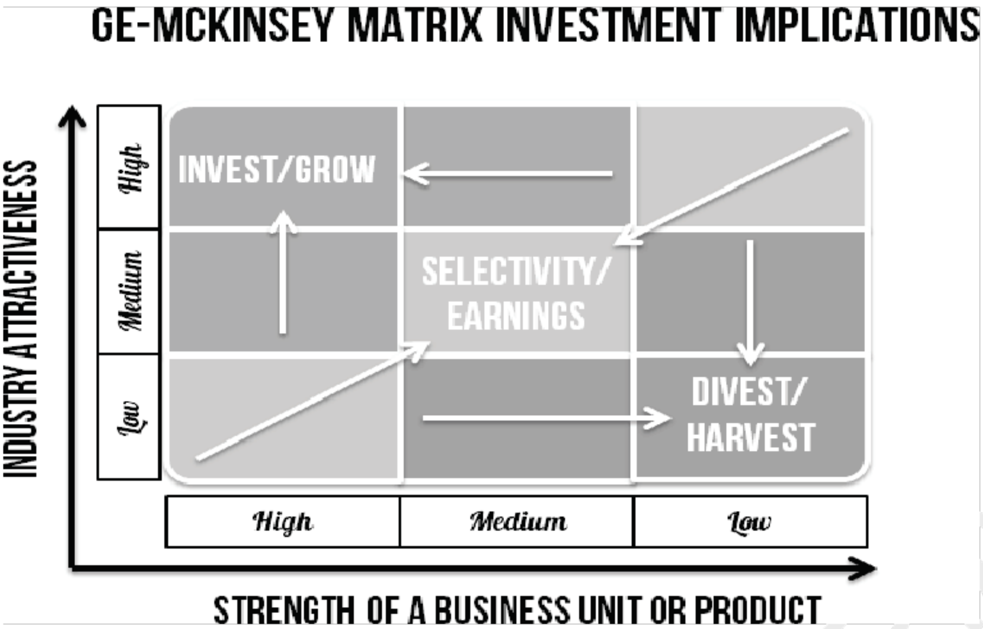
The company has a **clear advantage in specific segments or locations**, and these strengths must be actively protected.

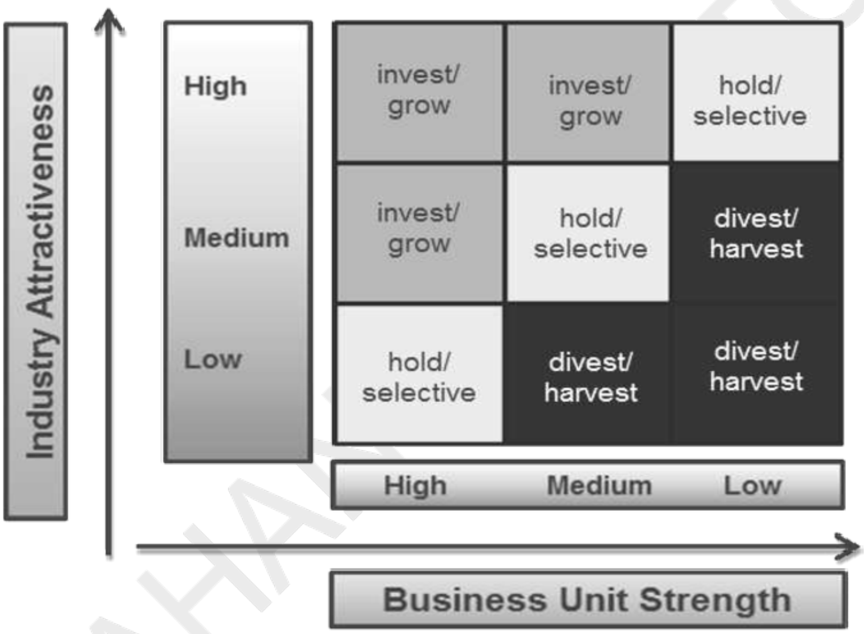
4. Tenable

The company is secure only in a **small niche or specialised segment**, but increasing competitive pressure makes its position difficult to sustain.

5. Weak

The company faces **low profitability and declining market share**, but still has opportunities to improve if corrective action is taken.


GE-MCKINSEY MATRIX INVESTMENT IMPLICATIONS
INDUSTRY ATTRACTIVENESS
High
Medium
Low
INVEST/GROW
SELECTIVITY/ EARNINGS
DIVEST/ HARVEST
High
Medium
Low
STRENGTH OF A BUSINESS UNIT OR PRODUCT


Industry Attractiveness
High
Medium
Low
invest/ grow
invest/ grow
hold/ selective
invest/ grow
hold/ selective
divest/ harvest
hold/ selective
divest/ harvest
divest/ harvest
High
Medium
Low
Business Unit Strength

GE McKinsey Matrix

The **GE McKinsey Matrix** is a portfolio analysis tool that helps companies decide **which business units to invest in**, **which to maintain**, and **which to divest**. It evaluates each business unit on two key dimensions: **Industry Attractiveness** and **Business Unit Competitive Strength**.

---

1. Industry Attractiveness

Industry Attractiveness shows how profitable and favourable an industry is for long-term growth.
It is judged by broad factors such as **industry growth**, **profit potential**, **competitive intensity**, and **market trends**.
A highly attractive industry offers **better opportunities** for investment.

---

2. Business Unit Competitive Strength

Competitive Strength indicates how well a business unit can compete compared to its rivals.
It depends on factors such as **market share**, **brand strength**, **customer loyalty**, **profitability**, and **unique capabilities**.
A strong business unit has a **sustainable competitive advantage**.

---

3. The Nine-Box Grid

The matrix places each business unit into a **nine-box grid** formed by:
• High / Medium / Low **Industry Attractiveness**, and
• High / Medium / Low **Competitive Strength**.
This helps identify whether a business unit is **strong**, **average**, or **weak**, and whether the market it operates in is **favourable** or **unfavourable**.

---

4. Strategic Guidance

Based on the box in which a business unit falls, the matrix suggests three broad strategies:

• Invest / Grow

Units in attractive industries with strong positions should receive **priority investment** to expand.

• Selectivity / Maintain

Units with moderate attractiveness or strength should receive **limited or selective investment** based on potential.

• Harvest / Divest

Units in unattractive industries with weak positions should be **minimally funded**, harvested for cash, or **divested**.

5. Why Companies Use This Matrix

The GE McKinsey Matrix helps companies **prioritise resources**, **compare business units objectively**, and **focus investment** where long-term returns are highest.
It is more detailed and flexible than the **BCG Matrix** because it uses **multiple criteria** instead of just two numbers.

Advantages of the GE McKinsey Matrix

1. Prioritises limited resources effectively

It helps companies **allocate scarce resources** to the business units that offer the **best future returns**.

2. Improves managerial understanding

Managers gain a clearer view of **how each product or business unit is performing**, which supports better decision-making.

3. More sophisticated than the BCG Matrix

It provides a **more detailed and flexible analysis** because it uses **multiple factors** instead of just two dimensions.

4. Guides strategic actions

It identifies the **strategic steps** a company should take to improve the performance of its overall **business portfolio**.

Disadvantages of the GE McKinsey Matrix

1. Requires expert judgement

It needs a **consultant or highly experienced managers** to accurately evaluate industry attractiveness and business unit strength.

2. Costly and time-consuming

The analysis can be **expensive** and requires considerable **time and effort** to conduct properly.

3. Ignores synergies between business units

The model does not consider **interdependencies or synergies** that may exist between two or more business units in the portfolio.

STRATEGIC ALTERNATIVES

Strategic alternatives are the different long-term options an organisation can choose to achieve its goals and decide its future direction.

There are many strategic alternatives that can be adopted by an organisation to attain its objectives. The most famous ones are Glueck & Jauch Generic Strategic Alternative and Porter's Generic Strategies.

GLUECK & JAUCH: GENERIC STRATEGIC ALTERNATIVES

Organisations choose their long-term direction using four **generic strategic alternatives**: **Stability**, **Internal Growth**, **External Growth**, and **Retrenchment**. These strategies help determine whether a firm should **maintain**, **expand**, **acquire**, or **reduce** its operations.

1. Stability Strategy

A **stability strategy** focuses on **maintaining the current business definition** while improving efficiency.
The firm continues with the **same products**, **same markets**, and **same goals**, making only **incremental improvements**.
It is a **"do nothing new"** strategy but aims to strengthen existing performance.

Illustration:

Coca-Cola continues selling its flagship Coke product worldwide with the same core market but keeps improving packaging and distribution efficiency.

---

2. Internal Growth (Expansion) Strategy

An **internal growth strategy** expands the business through **internal development**, not through acquisitions.
It involves **entering new markets**, **developing new products**, and **adopting new technology** using the firm's own capabilities.
It is considered **less risky**, as growth comes from within the organisation.

Illustration:

Apple developed the **Apple Watch** and **AirPods** through its own R&D to enter new product categories without acquiring any company.

---

3. External Growth (Acquisitive Growth) Strategy

An **external growth strategy** expands operations through **mergers**, **acquisitions**, **consolidations**, or **joint ventures**.
It enables faster entry into **new markets**, **new customer bases**, and **new technologies** by using another company's strengths.

Illustration:

Facebook (Meta) acquired **Instagram** and **WhatsApp** to expand instantly into photo-sharing and global messaging markets.

---

4. Retrenchment Strategy

A **retrenchment strategy** reduces the **scope or scale** of operations to improve efficiency and survival.
It involves **cost cutting**, **downsizing**, **divestment**, or **closing loss-making units**.
Retrenchment helps a company **conserve resources**, correct weaknesses, and prepare for recovery.

Illustration:

General Motors (GM) exited **India** and closed several unprofitable factories to reduce losses and focus on high-potential regions.

---

5. Combination Strategy

A **combination strategy** uses two or more approaches simultaneously.
Different business units may follow **different strategies** based on their market conditions and performance.

Illustration:

Tata Group follows multiple strategies:
• **TCS** adopts **stability** with consistent IT services.
• **Tata Motors** used **retrenchment** by closing the Nano project.
• **Tata Consumer Products** pursued **growth** by developing new foods and acquiring brands like **Soulfull**.

PORTER'S GENERIC STRATEGIES (Covered in Next Chapter in Detail)

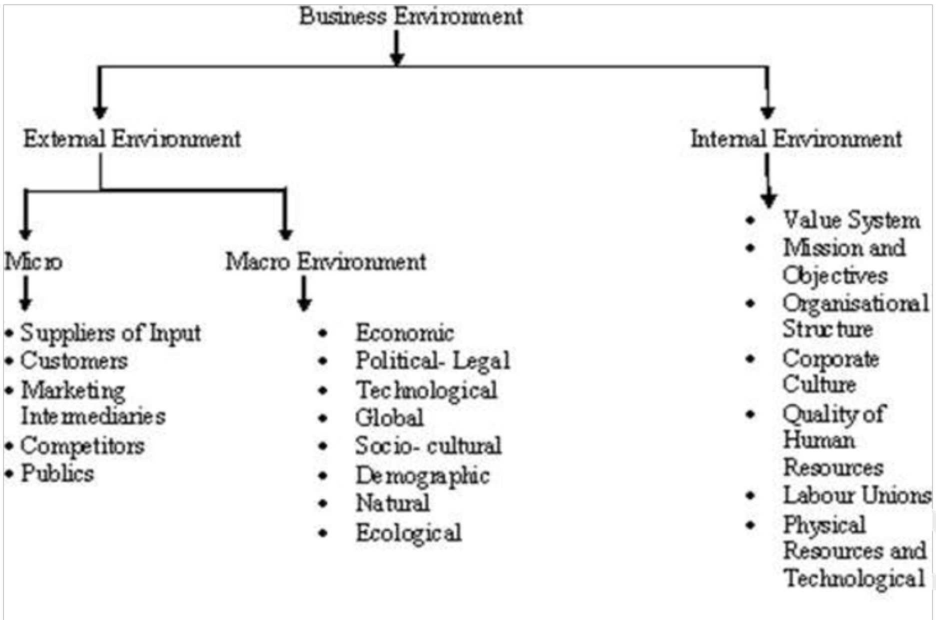


Fig: Components of Business Environment

ENVIRONMENTAL INFLUENCES OF BUSINESS

Introduction

The **business environment** consists of all **external and internal forces** that influence a firm's decisions, performance, and long-term survival. A business does not operate in isolation; it must continuously respond to environmental forces because they may create **opportunities** or pose **threats**.

Thus, the business environment is the **sum total of individuals, institutions, and forces outside the firm's control** that still affect how the business functions.

IMPORTANCE OF STUDYING BUSINESS ENVIRONMENT

Studying the business environment helps an organisation to:

- Formulate **strategies**, **policies**, and long-term **objectives**.
- Prepare **action plans** to handle change.
- Forecast **economic and social impacts** on business stability.
- Analyse **competitor behaviour** and prepare counter-strategies.
- Remain **dynamic**, **updated**, and competitive.

COMPONENTS OF BUSINESS ENVIRONMENT

The business environment has two major components:

1. **External Environment**
2. **Internal Environment**

I. EXTERNAL ENVIRONMENT

The **external environment** includes all outside forces that the business cannot control but must adapt to. It is divided into:

A. Micro Environment

These forces affect the business **directly** in day-to-day operations.

1. Suppliers

Suppliers provide essential **inputs**, and changes in supply, cost, or policy affect production and profitability.

2. Customers

Customers determine **sales**, **growth**, and **survival**. Satisfied customers ensure stability.

3. Marketing Intermediaries

Distributors, media firms, banks, and insurers assist in **distribution**, **promotion**, and **financing**, making smooth operations possible.

4. Competitors

Competitors influence pricing, marketing decisions, and product strategies. Constant monitoring is necessary to protect **market share**.

5. Publics

Groups such as media, environmental bodies, and consumer associations influence the firm's **reputation** and policy decisions.

B. Macro Environment

These are broad external forces that affect all businesses and are completely **uncontrollable**.

1. Economic Environment

Includes **national income**, **policies**, **industrial growth**, **inflation**, **money supply**, and overall economic conditions. These factors shape decisions about production and investment.

2. Political–Legal Environment

Government **laws**, **policies**, **regulations**, and judicial decisions affect how businesses operate and what practices are allowed.

3. Technological Environment

Rapid technological advances require firms to adopt new **innovations** to remain competitive and efficient.

4. Global/International Environment

Globalisation and WTO rules influence **international trade**, foreign competition, pricing, and market access.

5. Socio-Cultural Environment

Values, beliefs, customs, and ethics influence **consumer preferences**, buying habits, and demand patterns.

6. Demographic Environment

Population size, age structure, education levels, and skills determine **market size**, labour availability, and product design.

7. Natural Environment

Climate, geography, natural resources, and ecological conditions affect **production costs**, **location decisions**, and **product demand**.

8. Ecological Environment

Environmental concerns and pollution control laws require organisations to adopt **sustainable**, **eco-friendly** practices.

II. INTERNAL ENVIRONMENT

Internal factors exist within the organisation and are largely **controllable**. These determine the firm's strengths and capabilities.

1. Value System

The organisation's **ethical principles** guide how it behaves with employees, customers, and society, and influence its corporate reputation.

2. Mission and Objectives

These define the **purpose**, direction, and goals of the organisation, guiding strategic decisions.

3. Organisation Structure

The structure determines **authority**, **communication**, and **decision-making**, affecting efficiency and responsiveness.

4. Corporate Culture

Shared organisational beliefs, communication style, and management practices influence employee behaviour and create a particular **work environment**.

5. Quality of Human Resources

Employee **skills**, attitudes, competence, and commitment directly shape organisational performance.

6. Labour Unions

Union relationships affect **wages**, working conditions, and overall organisational harmony.

7. Physical Resources and Technology

Modern equipment, infrastructure, and technological capabilities influence **productivity**, **costs**, and competitive strength.

Competitive Positioning

BUSINESS-LEVEL STRATEGY

Meaning

A **business-level strategy** is an integrated and coordinated plan that explains **how a firm will compete** in a specific product or service market. It focuses on delivering **value to customers** and building a **competitive advantage** by using the firm's **core competencies** more effectively than its rivals.

Purpose

The purpose of a business-level strategy is to provide **superior value** to customers and to develop a **sustainable competitive advantage**. It helps the firm decide how to use its strengths in order to compete successfully in its chosen market.

Strategic Business Unit (SBU) Concept

A business-level strategy is used in organisations that operate through **Strategic Business Units (SBUs)**. An SBU represents a **distinct product or market segment** that has its own customers, competitors, and market conditions.
For example, Reliance Industries operates different SBUs such as textiles, fibres, and petrochemicals because each group serves a different market and therefore requires its own strategy.

Need for Separate Strategies for SBUs

Each SBU must develop its own strategy because it operates in a unique environment. It must set its own **objectives**, allocate its **resources**, and coordinate its **functional activities** so that it can perform efficiently and contribute to the overall goals of the organisation.

Corporate Strategy vs Business-Level Strategy

Corporate strategy determines **what businesses the firm should operate in**, while **business-level strategy** determines **how each business will compete** in its specific market.
Corporate strategy provides broad direction and resource support, whereas business-level strategy focuses on winning customers and performing better than competitors.

Business-Level Strategies According to Michael Porter

1. Cost Leadership

A cost leadership strategy aims to compete by becoming the **lowest-cost producer** in the industry. By keeping costs low, the firm can offer products at **lower prices** or enjoy **higher margins**.

Illustration:
Walmart keeps prices extremely low by purchasing in bulk, controlling supply chain costs, and operating efficiently, which helps it attract price-sensitive customers.

---

2. Differentiation

A differentiation strategy aims to compete by offering **unique and superior products or services** that customers value and are willing to pay a **premium price** for.

Illustration:
Apple differentiates itself through premium design, innovation, and a strong ecosystem, allowing customers to pay higher prices for iPhones and MacBooks.

---

3. Focus Strategy

A focus strategy aims to compete in a **narrow and well-defined market segment**.
The firm may either pursue **Cost Focus** by being the lowest-cost provider in the niche or **Differentiation Focus** by offering unique products that meet special needs in that niche.

Illustration (Differentiation Focus):
Rolex targets a niche of luxury watch buyers who value exclusivity and craftsmanship.

Illustration (Cost Focus): Ola Bike targets a niche of extremely price-sensitive commuters by offering very low-cost two-wheeler rides on selected city routes with minimal service features.

PORTER'S GENERIC STRATEGIES

In 1985, Michael Porter, in his book *"Competitive Advantage: Creating and Sustaining Superior Performance"*, pronounced the three **generic strategies**, namely:

1. **Cost Leadership** – Offering products or services at the lowest possible cost, often with "no frills."
2. **Differentiation** – Creating uniquely desirable products and services that stand out in the market.
3. **Focus** – Offering a specialized service tailored for a niche market.

Porter then further sub-divided the **Focus strategy into two parts:**

- **Cost Focus** – Concentrating on keeping costs low within a niche market.
- **Differentiation Focus** – Offering unique or specialized products within a targeted segment.

These are shown in the below figure:

Competitive Advantage

Competitive Scope		Cost	Uniqueness
	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Focus cost Leadership	Focused differentiation

Source: Michael E. Porter, "Competitive Advantage", Free Press, New York, 1985, p.12

Cost Leadership Strategy

A **Cost Leadership Strategy** aims to win market share by appealing to **cost-conscious** or **price-sensitive customers**. The firm maintains the **lowest prices** or the **best price-to-value ratio** by operating at a **lower cost** than competitors. Profitability is sustained only when the firm consistently keeps its cost structure below industry levels.

Ways to Achieve Cost Leadership

1. **Higher Asset Utilisation**
   The firm produces goods in **large volumes**, allowing **fixed costs** to spread across more units and reducing **unit cost** through **economies of scale**.
2. **Low Operating Costs**
   The firm offers **standardised**, **no-frills** products with minimal customisation to reduce **direct and indirect costs**.
3. **Control Over the Value Chain**
   The firm tightly controls **procurement**, **finance**, **inventory**, **marketing**, and **technology** functions to ensure overall **cost efficiency**.
   Example: Wal-Mart reduces costs by exerting strong control over suppliers.

Risk of Cost Leadership

Competitors may imitate cost-reduction techniques, requiring continuous **cost innovation** through systems such as **Kaizen (continuous improvement)**.

Pros of Cost Leadership

• **Low costs enable low prices**, attracting price-sensitive buyers.
• **Strong ability to survive price wars**, as cost leaders operate more efficiently.
• **Increase in market share**, as customers prefer the lowest-priced offering.

Cons of Cost Leadership

• **High risk**, as constant cost reduction is required to stay ahead.
• **Quality perception may decline** due to very low pricing.
• **Dependence on high sales volumes** due to thin margins.
• **Slow adaptation to market changes**, as the focus stays on cost rather than innovation.

Differentiation Strategy

A **Differentiation Strategy** focuses on offering **unique**, **superior**, or **innovative products** that customers value and are willing to pay **premium prices** for. It is effective in **competitive**, **saturated**, or **specialised markets**, where customers have **specific needs**.

A company succeeds in differentiation when it can:
• Charge a **premium price**
• Earn **higher revenue per unit**
• Build **strong brand loyalty**

Effective **brand management** and **innovation** are essential to maintain uniqueness.

Examples

• **Apple** differentiates through design, technology, and ecosystem.
• **Mercedes-Benz** positions itself as a luxury automobile brand.
• **Café Coffee Day** offers a unique café experience.
• **Nike** builds value through brand identity and performance design.

Requirements for Successful Differentiation

• **High-quality R&D and innovation**
• Ability to offer **premium products**
• Strong **branding and marketing**
• **Agile product development**

Pros of Differentiation

• **Reduced price competition**, as customers prefer unique offerings.
• **Distinctive products**, leading to strong brand identity.
• **Higher profit margins**, supported by premium pricing.
• **Greater brand loyalty** among customers.

Cons of Differentiation

• **Higher costs** due to innovation and design.
• **Communication inconsistency** when too many variants exist.
• **Affordability issues**, as premium pricing reduces customer base.
• **Risk of cannibalisation**, if multiple products overlap.

Focus Strategy (Niche Strategy)

A **Focus Strategy** targets a **narrow, well-defined market segment** and aims to serve it **better than competitors**. Firms succeed by deeply understanding **specific customer needs**, creating **high loyalty**, and offering **specialised products**.

There are two forms of focus strategy:
• **Cost Focus** – Lowest cost provider in a niche
• **Differentiation Focus** – Unique product for a niche

Example: **Rolls-Royce** custom-builds cars to individual customer specifications, offering exclusivity that no mass automaker provides.
Example: **Coca-Cola** launched **Diet Coke** and **Coke Zero** specifically for **health-conscious consumers**, targeting a niche within the beverage market.

Types of Focus Strategy

Focused Low-Cost Strategy

The firm targets a limited segment and offers **low-cost products** designed specifically for that niche. It is often used by **new entrants** trying to gain market share.

Focused Differentiation Strategy

The firm develops **unique**, **customised**, or **exclusive features** for a small customer group.
Example: Specialised hospitality resorts offering exclusive, adult-only environments.

Pros of Focus Strategy

• Efficient **use of resources** due to narrow targeting.
• Strong **competitive edge**, as specialised offerings are not easily replicated.
• Potential for **high growth** if the niche expands.
• **Higher profitability**, as niche customers often pay more.

Cons of Focus Strategy

• **Changing customer preferences** may reduce niche attractiveness.
• **High competition** within the niche can reduce profitability.

STRATEGIC IMPLEMENTATION

Strategic implementation is the process through which a formulated strategy is **translated into action**. It ensures that the organisation activates its strategic plans by coordinating people, systems, structures, and resources. While strategy formulation is largely an intellectual activity, strategy implementation is an **operational and behavioural process** that converts strategic intent into **actual performance**.

Purpose of Strategy Implementation

The purpose of strategy implementation is to design and manage systems that ensure the **effective integration of people, structure, processes, and resources** so that organisational objectives are achieved. It involves securing resources, organising them appropriately, and directing their use so that the chosen strategy is **successfully executed**.

Requirements for Successful Implementation

Successful implementation requires creating a **fit** between the strategy and:
• The organisation's **functional policies**, and
• The organisation's **structure, processes, and systems**.
This fit ensures that all operational activities reinforce the strategic direction.

Importance of Fit in Strategy Implementation

Strategy implementation requires a coordinated set of decisions across all departments, and this coordination depends on both **differentiation** (dividing tasks appropriately) and **integration** (ensuring alignment across units). A strategy, however well formulated, will not succeed unless it is implemented effectively.

Definitions of Strategic Implementation

According to **Glueck**, strategy implementation involves assigning leaders, communicating the strategy, and establishing supporting structures and policies.
According to **Hill and Jones**, implementation is the creation of organisational arrangements that enable the strategic plan to operate efficiently.
According to **Miller and Dess**, implementation transforms strategic intentions into **a stream of actions** that represent the firm's realised strategy.

Significance of Effective Implementation

Effective implementation is essential for organisational **growth and competitiveness**, while poor implementation can undermine even the best-formulated strategies.

STRATEGY FORMULATION AND IMPLEMENTATION

Strategy formulation is conceptual and analytical, while **strategy implementation** is action-oriented and managerial. Formulation takes place mainly at the **corporate level**, whereas implementation affects **all levels** of the organisation.

Relationship Between Strategy Formulation and Implementation

There are two key linkages:

1. Forward Linkage

Formulation influences implementation because all systems, structures, and processes must be aligned with the chosen strategy.

2. Backward Linkage

Implementation influences formulation because operational feedback helps organisations refine their strategies in response to a **changing environment**.

Inter-Dependence of Formulation and Implementation

Although formulation and implementation are interdependent, managers must distinguish between them to allocate resources effectively. Continuous feedback during implementation enables the organisation to **adjust the strategy as needed**.

STRATEGY IMPLEMENTATION – SUPPORTING FACTORS

(i) Action Planning

Effective strategy implementation requires a detailed **action plan** that specifies tasks, responsibilities, timelines, and resource requirements.

(ii) Organisational Structure

The structure must be appropriate for the intended strategy, because different strategies require different levels of flexibility, control, and coordination.

(iii) Human Resource Factors

Human resources play a critical role in implementation, as managers must address communication needs, skill requirements, and behavioural adjustments associated with the new strategy.

(iv) Annual Business Plan

Strategies must be supported by the organisation's **financial plan** to ensure that adequate budgets and resources are allocated.

(v) Monitoring and Control

Monitoring ensures that actions align with objectives, allows for timely corrective measures, and links the strategic plan to **day-to-day operations**.

ISSUES IN STRATEGY IMPLEMENTATION

(i) Project Implementation

Project implementation includes planning, feasibility studies, engineering, contracting, construction, testing, and disbanding the project once the objectives are achieved.

(ii) Procedural Implementation

Implementation must comply with **legal and regulatory requirements**, including licensing, FEMA guidelines, import–export rules, and labour legislation.

(iii) Organisational Structure and Strategies

The structure must support the mission and strategy. Simple strategies require simple structures, while complex or growth strategies demand **flexible or matrix structures**.

(iv) Resource Allocation

Resources must be allocated effectively across departments and strategic business units to support strategic tasks.

(v) Functional Policies

Functional policies provide guidance to managers and may need modification when new strategies are introduced.

(vi) Communication Strategy

A clear communication strategy ensures that employees understand the mission, objectives, and their own roles in implementation.

(vii) Leadership

Leadership establishes the right organisational culture and climate and is essential for motivating employees to support the strategy.

(viii) Challenges to Change

Implementation often requires organisational change, which involves **unfreezing**, **moving**, and **refreezing** behaviours and processes.

(ix) Pre-Implementation Evaluation Strategy

Before implementation, organisations must evaluate the strategy to ensure feasibility and identify weaknesses that require correction.

MANAGING STRATEGIC CHANGES

(i) Education and Communication

Clear communication reduces resistance by eliminating misinformation and establishing mutual trust.

(ii) Participation

Employee participation increases acceptance and gives individuals a sense of ownership over the change.

(iii) Obtaining Commitment

Commitment increases when employees voluntarily support the change, especially when they express their support publicly.

(iv) Leadership

Effective leaders use influence and vision to help employees embrace the change without unnecessary resistance.

(v) Training and Psychological Counselling

Training develops new skills while counselling helps employees adjust their attitudes and behaviours.

(vi) Coercion or Edict

In crisis situations, organisations may impose change through formal authority, although this is the least preferred method.

Strategic Leadership

Strategic leadership is a type of leadership in which the leader **persuades followers to support a broad vision** for the success of the business. Since it **prioritizes sustainability initiatives**, strategic leadership is now **significant to the majority of firms**. Understanding different approaches to strategic leadership helps in **managing an organization more effectively**.

Importance of Strategic Leadership

Strategic leadership is essential for **identifying organizational strengths** that can **distinguish a company from its competitors**. It requires an **imaginative approach**, rather than merely seeking **straightforward solutions**. Effective strategic leadership is **crucial for future organizational growth and sustainability**.

Definition of Strategic Leadership

Strategic leadership is defined as the ability to **influence others to voluntarily make day-to-day decisions** that enhance the **long-term viability of the organization**, while maintaining its **short-term financial stability**.
— W. Glann Rowe (2001)

Relevant Competencies for Strategic Leadership

To excel in **strategic leadership**, leaders must possess **relevant competencies** that support **long-term and sustainable success**. These competencies help in aligning leadership behaviour with organizational strategy.

Leadership and Its Forms

Types of Strategic Leadership

There are **three well-defined types of strategic leadership**.

(a) Transactional Leadership

- **Transactional leaders** ensure that everyone is **aware of expectations, procedures, and results**.
- They strike a balance between **strategic management and leadership** by evaluating employee performance and motivating improvement.
- Good performance is rewarded through **incentives such as higher pay, promotions, and bonuses**.
- Poor performance may result in **pay cuts or job elimination**.
- This leadership technique may produce results, but **not always the best outcomes**.

- **Elements of transactional leadership** are present in most leadership styles.
- **Example:** Amazon incentivizes high performance in warehouses, while low performers may be let go.

(b) Transformational Leadership

- **Transformational leaders** integrate **leadership and strategy** and use their **vision to guide employee behaviour and actions**.
- They influence both the **organization and its people** to bring about change.
- This leadership approach focuses on **persuasion and innovation**, with the **organization's advantage** as the primary goal.
- Transformational leaders build **team confidence**, clarify roles, and help set goals.
- According to Northouse (2001), transformational leadership is a **process that changes and transforms people** by motivating them to improve their circumstances.
- **Example:** Steve Jobs inspired Apple teams to innovate and reshape the technology industry.

(c) Charismatic Leadership

- **Charismatic leaders** persuade others through **personal charm, passion, and strong commitment**.
- They possess high levels of **energy and drive** toward their work.
- While similar to transformational leaders, their focus is mainly on **changing the status quo**, rather than changing the organization itself.
- **Example:** Elon Musk uses his charismatic personality and bold vision to inspire innovation at Tesla and SpaceX.

Strategic Leadership Skills

According to **Harvard Business Review**, **strategic leadership competencies** consist of **six essential skills**:

- **Anticipate:** Leaders **gather information** from many **internal and external sources** to **forecast future trends**, understand **competitor actions**, and predict reactions to **new products or initiatives**.
- **Challenge:** Leaders **question existing assumptions** and **reframe problems** from **different perspectives** to identify the **root causes** of issues.
- **Interpret:** Leaders show **curiosity and openness** by **testing different possibilities**, analysing available information, and **seeking others' views** before making conclusions.
- **Decide:** Leaders **balance long-term growth opportunities** with **short-term performance demands**, while carefully considering **risks and trade-offs** for **customers and stakeholders**.
- **Align:** Leaders **understand stakeholder interests**, assess their **readiness for change**, and **manage conflicting expectations** to ensure alignment with organizational goals.
- **Learn:** Leaders promote **continuous learning** by sharing **successes and failures** and **revising decisions** when new evidence proves them incorrect.

Strategic Thinking Skills

Strategic thinking skills refer to abilities that help individuals apply **critical thinking** to **solve complex problems** and **plan for the future**.

- These skills are important for **achieving long-term goals**, **overcoming obstacles**, and **handling challenges** that may take **weeks, months, or years** to resolve.

Components of Strategic Thinking Skills

- **Analytical skills:** These skills involve **examining financial data**, **market conditions**, **business trends**, and **internal resources** to develop strategies that **match the organization's current situation** and help achieve its goals.
- **Communication skills:** Strategic thinking requires **clear and effective communication** to **explain complex ideas**, **coordinate with stakeholders**, **build agreement**, and ensure everyone works toward **common objectives**.
- **Problem-solving skills:** Strategic planning helps in addressing issues such as **poor financial performance**, **inefficient processes**, or **new competition** by first **understanding the problem** and then **implementing suitable solutions**.
- **Planning and management skills:** Strategy is not limited to thinking of solutions but also involves **effective execution**, which requires **proper planning, coordination, and control** of activities.

E-Business and Strategy

Meaning:
An **e-business strategy** is a **long-term plan** that explains how a firm uses **digital technologies** to manage its **internal operations** (through intranet systems) and **external relationships** with customers, suppliers, and business partners. It shows how a business **conducts, coordinates, and controls activities online** to achieve its objectives.

Example: Amazon uses digital platforms to integrate suppliers, warehouses, delivery partners, and customers into one seamless system.

E-Business Strategic Framework

The **e-business strategic framework** helps a firm design an effective digital strategy by answering **three interrelated questions**. These questions must be addressed together for successful implementation.

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1. External Environment: Where Do We Want to Compete?

This element examines the **external business environment** to identify suitable markets and industries. It includes analysis of **macro-environmental factors**, **industry competition using Porter's Five Forces**, and **market segmentation based on customer characteristics**.

Example: Netflix studies technology trends, competition, and viewer preferences before entering a new country.

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2. Value Generation: What Type of Value Do We Want to Create?

This element focuses on **how value is created through e-business** by analysing **customer benefits and cost drivers**. Firms generally follow **cost leadership**, **differentiation**, or create **new market niches**.

Example: Amazon creates value through low prices and fast delivery, while Apple creates value through premium design and innovation.

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3. Internal Organization: How Should We Deliver Value?

This element explains how the firm should be **structured internally** to deliver value. It covers decisions related to **size and growth (horizontal boundaries)**, **outsourcing and core activities (vertical boundaries)**, and **internal processes and online customer interaction**.

Example: Flipkart manages its digital platform internally but outsources logistics to specialist partners.

Conclusion

An effective e-business strategy aligns **external environment analysis**, **value creation**, and **internal organization** to achieve sustainable competitive advantage.

Fintech

Financial technology (Fintech) refers to the use of **new technologies** to improve and automate the **delivery and use of financial services**. At its core, fintech helps **companies, businesses, and consumers** manage financial operations more efficiently through **software and algorithms**, mainly accessed via **computers and smartphones**. The term **fintech** is derived from the combination of **financial** and **technology**.

Initially, fintech referred mainly to **back-end systems** used by traditional financial institutions. Today, fintech includes **consumer-facing services** across sectors such as **education, retail banking, fundraising, nonprofit activities, and investment management**.

Modern Fintech Applications

Modern fintech covers a wide range of financial activities, including **money transfers, mobile check deposits, online credit applications, startup funding, and investment management**, often without direct human involvement.
Cryptocurrencies, such as **Bitcoin**, are also part of fintech, although **traditional banking** continues to dominate the global financial system.

Example: Google Pay enables instant digital payments without visiting a bank branch.

Key Areas of Fintech Innovation

- **Cryptocurrency and Digital Cash:** Development of digital currencies such as **Bitcoin**.
- **Blockchain Technology:** Use of **distributed ledger technology (DLT)** like **Ethereum**, which records transactions without a central authority.
- **Smart Contracts:** Computer programs that **automatically execute contracts** when conditions are met.
- **Open Banking:** Allows third parties to access bank data to create financial apps; **Mint** is an example.
- **Insurtech:** Application of technology to **simplify insurance services**.
- **Regtech:** Technology used to ensure compliance with **AML and KYC regulations**.
- **Robo-Advisors:** Automated investment platforms such as **Betterment** that provide low-cost advice.
- **Unbanked and Underbanked Services:** Fintech solutions for individuals with **limited access to banking services**.
- **Cybersecurity:** Protection of financial data against **cybercrime and digital threats**.

Fintech Users

There are **four main categories of fintech users**.
B2B for banks includes fintech tools that improve banking operations.
Business clients use fintech to manage credit, payments, and financial planning.
B2C for small businesses focuses on simplifying payments and accessing funds.
Consumers use fintech for personal finance, digital payments, and investments.

Fintech and Consumer Trends

Trends such as **mobile banking, data analytics, and decentralized access** have increased fintech adoption across all user groups. Fintech products often target **millennials** due to their earning and spending potential, though older generations may be underserved if their needs are not considered.

Impact of Fintech on Businesses

Fintech has significantly changed **business financing and payments**. Earlier, businesses depended mainly on banks for loans and credit systems. Today, **mobile and digital platforms** allow faster access to funding and smoother payment systems.

Example: Razorpay enables businesses to accept digital payments easily.

Regulation and Fintech

High Regulation in Financial Services

Financial services are **heavily regulated**, and fintech has increased regulatory challenges due to rapid technological change.

Cybersecurity Risks

Automation and digitization expose fintech systems to **cyber-attacks**, raising concerns about **data protection and responsibility**.

Cultural Differences

The fast-moving culture of technology often conflicts with the **risk-averse nature of finance**, leading to regulatory tensions.

Cryptocurrency and ICO Regulation

Initial Coin Offerings (ICOs) allow startups to raise funds without traditional oversight, increasing **fraud and investor risk**. Unclear regulations have allowed some tokens to bypass securities laws.

Government Approaches

Governments generally adapt **existing regulations** to fintech. Tools such as **regulatory sandboxes** allow controlled testing. Laws like **GDPR** protect personal data, while countries such as **Japan and South Korea** are framing rules for cryptocurrencies and ICOs.

Conclusion

Fintech has transformed financial services by making them **faster, more accessible, and technology-driven**. While it creates efficiency and innovation, it also raises **regulatory, security, and ethical challenges**. Effective regulation and responsible adoption are essential for sustainable fintech growth.

Blockchain Technology

Blockchain is a system in which **data is stored in a series of linked records called blocks**. Each block contains a batch of transactions and is connected to the previous and next block through a **unique identifier called a hash**, forming a **continuous ledger of transactions**.
Blockchain is **decentralized**, meaning the ledger is **shared, copied, and stored across multiple computers**, which enhances security and reliability.

Decentralized Security

The **decentralized nature of blockchain** ensures high security. If a single record is altered, the **hash of that block changes**, breaking the link with the next block and disrupting the entire chain.
To successfully change data, a hacker would need to **alter records across all systems in the network**, which is extremely difficult and acts as a strong deterrent against tampering.

Importance of Blockchain

Blockchain technology is the **foundation of cryptocurrencies** such as Bitcoin. Its **transparency and security** are major reasons for the popularity of cryptocurrencies.
Beyond crypto, blockchain is being adopted in sectors such as **retail, manufacturing, and banking** due to the following benefits:

- **Elimination of middlemen**, which reduces transaction costs.
- **Strong data security** through encryption.
- **Reduction of corruption** by increasing transparency and accountability.
- **Faster service delivery** by streamlining processes.

Example Applications

Blockchain can be used to manage **government records**, such as **land records or hallmarked gold ledgers**, to improve transparency and reduce corruption.
For example, if land records are maintained on a blockchain, all property transactions would be permanently recorded and publicly verifiable, making governance more efficient.

Challenges in Blockchain Adoption

Despite its advantages, blockchain adoption faces several challenges and must be implemented gradually:

- **Regulatory concerns**, especially due to price volatility in cryptocurrencies.
- **Scalability and transaction speed limitations** in current systems.
- **Data protection and integration issues** with existing financial systems.
- **Legal and compliance challenges** across jurisdictions.

Potential Future Uses

Blockchain applications continue to expand. In the future, areas such as **banking transactions, land records, and vehicle registration** may move entirely to blockchain platforms.
Blockchain could also disrupt platforms like **Uber or Airbnb** by recording ride or stay transactions directly on a blockchain, thereby **eliminating intermediaries**.

The Three Pillars of Blockchain Technology

The widespread adoption of blockchain is based on **three core properties**:

- **Decentralization**
- **Transparency**
- **Immutability**

Pillar 1: Decentralization

In traditional centralized systems, a **single authority** controls data and transactions, such as a bank managing payments.
In a **decentralized system**, data is distributed across the network, and no single entity owns it.
For example, **Bitcoin** allows users to transfer money directly without relying on a bank or intermediary.

Pillar 2: Transparency

Blockchain offers **transparency with anonymity**. User identities are hidden through cryptography and represented by **public addresses**, not names.
Although identities are masked, **all transactions are publicly visible**, which increases accountability compared to traditional financial systems.

Pillar 3: Immutability

Immutability means that once data is added to the blockchain, it **cannot be changed**.
This is achieved through **cryptographic hash functions** such as SHA-256, which convert data into a fixed-length output.
Any change in data alters the hash, making tampering easily detectable and ensuring **permanent and secure records**.

Blockchain Applications

Blockchain enables **secure and validated transactions** and supports applications such as:

- Smart contracts
- Sharing economy platforms
- Crowdfunding
- Governance systems
- Supply chain auditing
- Decentralized file storage
- Prediction markets
- Intellectual property protection
- Internet of Things (IoT)
- Neighbourhood microgrids
- Identity management
- AML and KYC compliance
- Data management
- Land title registration
- Stock trading

By recording transactions across a **distributed validation network**, blockchain improves **accuracy, accountability, and trust**, while reducing errors, fraud, and unauthorized exchanges.

Lesson

Managing the Multi-Business Firm and Analyzing Strategic Edge

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BUSINESS PROCESS RE-ENGINEERING (BPR)

Also known as **Business Process Redesign**, **Business Transformation**, or **Business Process Change Management**, **Business Process Reengineering (BPR)** is an endeavour to redesign business operations on an extensive scale. It involves the **recreation of core business processes** with the objective of **improving product output, enhancing quality, or reducing costs**.

Adopting **BPR as a change management tool** requires organizations to introspect the fundamentals of the company, such as **what they do**, **why they do things**, and **why they do things in a particular manner**.

The primary objective of **BPR** is to:

- **Eliminate redundancies or futile layers** in the entire process.
- **Eliminate enterprise costs**.

Thus, reengineering is not about making marginal or incremental changes, but about achieving **quantum leaps in performance**. In other words, **BPR is a form of process innovation**, as it attempts to **re-create processes rather than merely improve them**.

Business Process Reengineering (BPR): Definition

According to **Hammer and Champy (1993)**, **Business Process Reengineering** is the **fundamental rethinking and radical redesign of business processes** to achieve **significant improvements** in key performance measures such as **cost, quality, service, and speed**. BPR emphasizes **business reinvention**, not just improvement or modification.

In BPR, the traditional notion of **division of labour**, where tasks are broken into smaller specialized functions, is discarded. Instead, a **business process** is viewed as a **set of activities** that transform inputs into **valuable outputs for customers**. The focus is on **end-to-end processes** rather than optimizing individual tasks.

Why Nokia Failed

Background:
Nokia, once the global leader in mobile phones with nearly **30% market share**, lost its dominance due to strategic failures.

Key Reason for Failure:
Nokia failed to adapt to technological change. It was slow in embracing smartphones and resisted adopting **Android**, choosing to continue with the less popular **Symbian OS**. The company failed to redesign its business processes and strategy in response to market disruption.

Origin

Business Process Reengineering gained prominence in the **1990s**, inspired by the article **"Reengineering Work: Don't Automate, Obliterate"** published in the **Harvard Business Review (July–August 1990)** by **Michael Hammer**, then a professor at MIT.

Hammer examined the **impact of Information Technology on business processes**, emphasizing that merely automating inefficient processes does not improve performance. Instead, processes must be **radically redesigned** to achieve dramatic improvements.

Core Principles of BPR

The underlying principle of **BPR** is that managers must **eliminate non-value-adding activities** and, wherever possible, **automate processes**.

At the core of BPR lies a **revolutionary and drastic change approach**, rather than an incremental one. Such redesign can lead to **fundamental changes in business processes**, affecting:

- Job design
- Organizational structures
- Management systems

As stated by **Hammer and Champy (1993)**, BPR aims at transforming the foundation of organizational processes.

Notable Implementations of BPR

After its evolution, **BPR was successfully implemented by several organizations**.
Hallmark re-engineered its new product development process, achieving major efficiency gains. Similarly, **Kodak** redesigned its black-and-white film manufacturing process, reducing response time for new orders by nearly **50%**.

Impact of ERP on BPR Popularity

With the introduction of **Enterprise Resource Planning (ERP)** systems, BPR gained additional popularity. ERP enabled **electronic communication and integration** across business processes, thereby supporting BPR's objectives of **efficiency, coordination, and process innovation**.

Objectives of Business Process Reengineering

Organizations adopt **BPR** to:

- **Improve effectiveness** and deliver higher-quality products to customers.
- **Enhance efficiency** in production and operational processes.
- Achieve **long-term cost savings**.
- Provide **more meaningful work** to employees.
- Become **more adaptable and flexible** to future changes.
- Enable **business growth and expansion**.

Typology of BPR Projects

According to **Earl (1994)**, **BPR projects can be classified into four categories** based on their focus within an organization.

1. **Core Processes**
   Core processes are the **primary value-chain activities** that directly create value for external customers. These processes are central to business operations. An example is **order fulfilment**.
2. **Support Processes**
   Support processes are **back-office processes** that reinforce core processes. They mainly serve internal customers and improve efficiency. Examples include **IT systems, finance, and human resources**.
3. **Business Network Processes**
   Business network processes extend **beyond organizational boundaries** and involve coordination with **suppliers and customers**.

4. **Management Processes**
   Management processes are those through which organizations **plan, organize, and control resources**. Examples include **strategy development and direction setting**.

Factors for Successful Implementation of BPR

As per **Hammer and Champy (1993)**, BPR is a comprehensive **change management approach** involving process testing, employee redeployment, resource re-arrangement, and monitoring.

Al-Mashari and Zairi (1999) identified the following five success factors:

- Change in management approach
- Management competencies
- Organizational structure
- BPR project management
- IT sub-structures

BPR is often described as a **bi-fold challenge**:

- **Technical challenge**, involving radical process redesign.
- **Socio-cultural challenge**, arising from employee resistance to change.

Common reasons for BPR failure include:

- Employee resistance to change
- Communication breakdown
- Personnel turnover during transition

Steps involved in Business Process Reengineering

A well-executed **BPR initiative** can revive a failing organization, but implementation is complex as it involves organization-wide change.

- **Define: Objectives and Framework**
  Objectives must be clearly defined in qualitative and quantitative terms and communicated to employees to gain acceptance.
- **Identify: Customer Needs**
  Customer requirements and feedback must be considered to ensure value creation.
- **Study: The Existing Process**
  Existing processes must be analysed, and a **SWOT analysis** should be conducted.
- **Formulate: A Redesigned Business Plan**
  Required modifications are identified, alternatives are evaluated, and the best redesign is selected.

- **Implement: The Redesign**
  The redesigned process is implemented with strong management and employee support, which is critical for success.

BENCHMARKING

Benchmarking: Definition

According to **Camp**, benchmarking is simply **"finding and implementing the best business practices."**

Benchmarking as a Strategy Tool of Comparison

Benchmarking is a **strategy tool of comparison**. It is used to compare the **performance of business processes and products** of a company with the **best-performing companies**, both **within and outside the industry**.

Role of Managers in Benchmarking

Managers use benchmarking to **identify best practices** followed by other companies and **apply those practices** to their own processes to improve organizational performance.

Primary Goal of Benchmarking

The primary goal of benchmarking is **improving the overall performance of the company**.

Understanding the Tool

Understanding the Standing of One's Business

To understand the standing of a business, its performance must be compared with competitors. For example, a company may consider **85% customer satisfaction** to be excellent until it realizes that the **industry average is 95%**. In such a case, benchmarking highlights performance gaps and the need for improvement.

Benchmarking as a Management Tool

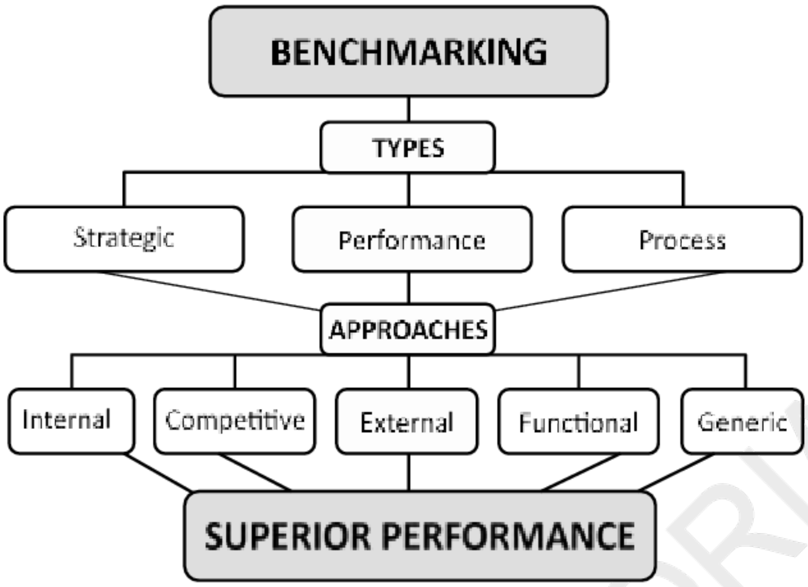
Benchmarking was not considered an important management tool until the **late 1980s and 1990s**. **Xerox** introduced process benchmarking, which proved highly valuable. Later, companies such as **AT&T** also began comparing their processes with **industry best standards**.

Evolution of Benchmarking

Benchmarking evolved over time as follows:

- **1950–1975:** Reverse engineering
- **1976–1986:** Competitive benchmarking
- **1982–1986:** Process benchmarking
- **1988 onwards:** Strategic benchmarking
- **1993 onwards:** Global benchmarking

(Source: J. Blakeman, University of Wisconsin–Milwaukee)



Types of Benchmarking

According to **Tuominen** and **Bogan and English**, there are **three major types of benchmarking**:

1. Strategic Benchmarking

Strategic benchmarking focuses on identifying the **best strategies** to compete in the market. Companies study **successful strategies**, often **outside their own industry**, and adopt them in their **strategic decision-making**.
Illustration: A **traditional retail company** studies **Amazon's digital strategy** to improve its **online business model**.

2. Performance Benchmarking

Performance benchmarking compares a company's **products and services** with **competitors**. It focuses on **measurable factors** such as **quality, price, features, speed, reliability, design, and customer satisfaction**.
Illustration: A **smartphone brand** compares its **battery life and pricing** with rival brands.

3. Process Benchmarking

Process benchmarking involves studying **similar processes** in other companies to identify **best practices**. It usually follows **performance benchmarking**, where **weak areas** are first identified and then improved through **process redesign**.
Illustration: A **bank** studies another bank's **loan approval process** to reduce **processing time**.

Approaches

1. Internal Benchmarking

Internal benchmarking is used in **large organizations** with multiple units or locations. It compares **similar processes** across **departments or divisions** to identify **best-performing units** and share **internal best practices**.
Illustration: A company compares **sales performance** across its **regional branches**.

2. External or Competitive Benchmarking

Competitive benchmarking compares a company's performance with **direct competitors**. **External benchmarking** further extends the comparison to companies **outside the industry** to identify **best practices**.
Illustration: A **telecom company** compares its **customer service response time** with rival operators.

3. Functional Benchmarking

Functional benchmarking compares the performance of a **specific function**, such as **marketing, finance, human resources, or operations**, with similar functions in **other organizations**.
Illustration: A firm compares its **HR recruitment process** with that of a **leading multinational company**.

4. Generic Benchmarking

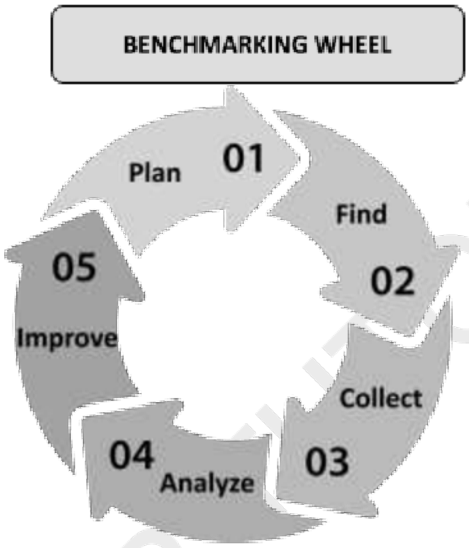
Generic benchmarking focuses on **excellent work processes**, irrespective of industry. Learning from one function may be applied to **another functional area**.
Illustration: A **manufacturing company** adopts **data analytics practices** used by an **IT firm** to improve **workforce management**.

Advantages

- **Benchmarking** is **easy to understand and use**.
- It is a **low-cost activity** if implemented **properly**.
- It introduces **innovative ideas** into the **organization**.
- It provides **insight** into **how other companies operate**.
- It increases **awareness of costs** and **performance levels**.
- It promotes **cooperation** among **teams and departments**.

Disadvantages

- **Identification of a suitable benchmarking partner** can be **difficult**.
- Some **processes** are **hard to measure** using **metrics**.
- **External experts or consultants** may be **required**.
- **Initial implementation costs** can be **high**.
- **Managers** may **resist change**.



Benchmarking Wheel

The **Benchmarking Wheel** is a **five-stage process** introduced through the article **"Benchmarking for Quality"**, developed after **analysing several benchmarking models**.

1. Plan

Clearly define what needs to be **benchmarked** and determine **suitable metrics**.

2. Find

Identify benchmarking partners or **reliable sources of information**.

3. Collect

Gather relevant data using **appropriate methods**.

4. Analyze

Compare performance metrics, **identify gaps**, and provide **findings and recommendations**.

5. Improve

Implement changes in **products, services, processes, or strategy** based on **insights gained**.

TOTAL QUALITY MANAGEMENT (TQM)

Introduction to TQM

Total Quality Management (TQM) is a concept propounded by **W. Edwards Deming**. It is a **management approach** that originated in the **1950s** and gained wide acceptance during the **early 1980s**. TQM was first introduced in **Japan after World War II** to help Japanese companies **rebuild their economy** and improve quality standards.

Focus Areas of TQM

The primary focus of **TQM** is **continuous quality improvement** in the following areas:

- **Product or service quality**
- **Employer–employee relations**
- **Consumer–business relations**

Definition of Total Quality

Total Quality refers to the **culture, attitude, and organizational system** of a company that consistently strives to provide customers with **products and services** that **satisfy customer needs**. It requires processes to be done **right the first time**, thereby eliminating **defects** and **waste**.

TQM Defined

Quality

Quality is defined as a **degree of excellence**. It indicates how well a product meets expectations in terms of **performance, durability, reliability, maintainability**, and other **customer-valued attributes**.

Importance of TQM in Product Development

To meet customer expectations consistently, **TQM** should be **instilled in the product development process**, starting from the design stage.

Definition of "Total" in TQM

The word **"total"** represents the involvement of **every process, job, resource, output, person, time, and place** in achieving quality.

Definitions of TQM

- The **American Society for Quality Control (ASQC)** defines **TQM** as a **management approach to long-term success** through **customer satisfaction**, based on **participation of all members** in improving **processes, products, services, and culture**.
- **ISO** defines **TQM** as a **quality-centered management approach**, based on **participation of all members**, aiming at **long-term benefits** to the organization and society.
- **Brockman (1992)** defines **TQM** as a **management philosophy** that satisfies the needs of the **customer** and the **community**, and achieves organizational objectives by leveraging the potential of **all employees** in a **continuous drive for improvement**.

Definition and Focus

TQM views an organization as a **collection of processes**, including **marketing, finance, design, engineering, production, customer service**, and more. The focus is on **meeting customer needs** and achieving **organizational objectives**.

Objective of TQM

The objective of **TQM** is: **"Do the right things, right the first time, every time."**

Application of TQM

Although originally applied to **manufacturing**, **TQM** is now recognized as a **generic management tool** and is widely applied across **service** and **public sector organizations**.

Examples of Companies Implementing TQM

Companies such as **Ford Motor Company**, **Phillips Semiconductor**, **SGL Carbon**, **Motorola**, and **Toyota Motor Company** have successfully implemented **TQM**.

TQM as a Foundation for Organizational Activities

TQM forms the foundation for activities, which include:

- Commitment by senior management and all employees
- Meeting customer requirements
- Reducing development cycle times
- Just-in-time / demand flow manufacturing
- Improvement teams
- Reducing product and service costs
- Systems to facilitate improvement
- Line management ownership
- Employee involvement and empowerment
- Recognition and celebration
- Challenging quantified goals and benchmarking
- Focus on processes / improvement plans
- Specific incorporation in strategic planning

This shows that **TQM must be practiced in all activities, by all personnel**, across **manufacturing, marketing, engineering, R&D, sales, purchasing, HR**, and other functions.

Principles of TQM

Management Commitment

Management commitment is essential for successful **TQM**. Management must **plan** quality initiatives, **deploy and support** implementation, **review** performance, and **act** by **recognizing achievements**, **communicating outcomes**, and **revising plans** wherever required.

Employee Empowerment

Employee empowerment is achieved when employees receive **training**, participate in **suggestion schemes**, receive **measurement and recognition**, and work through **excellence teams**. Empowered employees contribute more effectively to **continuous improvement**.

Fact-Based Decision Making

Fact-based decision making means decisions are taken using **data and statistical tools**. Organizations use methods such as **SPC (Statistical Process Control)**, **DOE**, **FMEA**, the **seven statistical tools**, and **team-oriented problem solving (Ford 8D / TOPS)** to improve quality outcomes.

Characteristics of Total Quality Management

a) **Total Involvement of Employees**
The most fundamental characteristic of **TQM** is **total employee involvement**. Only empowered and committed employees who understand the organization's operations can improve efficiency and achieve desired performance levels.

b) **Customer Focus**
TQM treats the **end customer** as the primary measure of quality and success. Activities such as training, infrastructure upgrades, software investments, and product releases are worthwhile only when they benefit customers.

c) **Continual Improvement**
Organizations practicing **TQM** believe that maintaining the same level of quality is insufficient. Continuous improvement requires management to promote innovation and creativity to meet customer expectations.

d) **Process Approach**
TQM requires processes to be broken into steps so that each step can be analyzed, measured, and improved to achieve desired outcomes.

e) **System Approach to Management**
All interrelated processes must be managed as a **system** so that improvement efforts remain integrated and focused on key processes.

f) **Fact-Based Decisions**
TQM requires systematic data collection and analysis to improve decision-making and make predictions based on historical performance.

g) **Leadership / Strategy Definition**
A strategic plan must be developed to achieve the organization's vision, objectives, and goals, with **quality** as a core component. Leadership is critical because it sets direction and creates an enabling environment.

h) **Mutually Beneficial Relationship with Suppliers**
TQM emphasizes strong supplier relationships because an organization depends on its suppliers to sustain quality and operational success.

Principles of Total Quality Management

The **eight principles of TQM** are:

i. **Customer-Focused**
The **customer** determines the level of **quality**, and customer perception defines whether improvement efforts are successful.

ii. **Total Employee Involvement**
Total involvement of employees is essential for achieving common goals, and it becomes possible when empowerment and supportive management are present.

iii. **Process-Centered**
A **process** consists of steps that transform inputs into outputs, and performance measures must be continuously monitored to detect variations.

iv. **Integrated System**
Although organizations have different departments, **TQM** focuses on **horizontal processes** that integrate and connect all functions.

v. **Strategic and Systematic Approach**
A **strategic and systematic approach** ensures quality is built into organizational planning and supports long-term achievement of vision and goals.

vi. **Continual Improvement**
Continual improvement is a core aim of TQM and drives organizations to identify methods to improve competitiveness and stakeholder satisfaction.

vii. **Fact-Based Decision Making**
Accurate and relevant **data** is essential to evaluate performance, improve decision accuracy, and support forecasting based on historical trends.

viii. **Communications**
Effective **communication** is essential during change and routine operations, as it maintains morale, motivates employees, and supports alignment.

Continuous Improvement by TQM

TQM is fundamentally focused on **continuous improvement** across all levels of work, from strategic planning to operational execution. It is based on the belief that **defects can be prevented** and mistakes can be avoided.

Achieving Improved Results

Continuous improvement leads to steadily enhanced results by improving capabilities across **people, processes, technology, and machine capabilities**.

Future-Driven Improvement

Continuous improvement strengthens capabilities not only for current performance but also to achieve better results in the future.

The five major areas for capability improvement are:

- **Demand generation**
- **Supply generation**
- **Technology**
- **Operations**
- **People capability**

Implementation Principles and Processes

1. Assess the Organization's Current Reality

The first step is to assess the organization's **current reality**, including its history, needs, reasons for adopting TQM, and the employee work environment. If the organization has responded well to change in the past, implementing TQM becomes easier.

2. Prepare for Change

If the organization lacks responsiveness history, employee skepticism and lack of skilled change agents may hinder implementation. In such cases, **management and leadership development** are required, and a **management audit** helps identify performance gaps.

3. Ensure Organizational Health

The organization should be basically healthy before adopting TQM. If there are issues such as unstable funding, weak systems, low managerial skill, or poor employee morale, TQM may not succeed. A manageable level of urgency can still help initiate change.

4. Strategic Leadership and Vision

Strong leadership is required to set a clear vision and guide implementation. A leader acts as a prime mover by demonstrating how TQM will support organizational goals, especially during periods of stress or crisis.

5. Establish Action Vehicles

Action vehicles or mechanisms must be established to institutionalize TQM and enable long-term sustainability of changes.

Conclusion

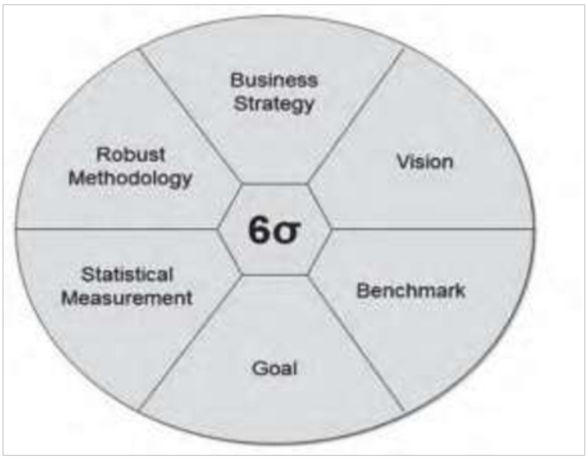
TQM promotes participation across all levels, from shop-floor workers to senior managers. It is a **discipline and philosophy of management** focused on **planned and continuous improvement**. It assumes that **quality results from all organizational activities**, involving all functions and employees. Successful **TQM** requires a strong **quality system** and a supportive **quality culture**.

Sigma Level	Defects per Million Opportunities	Percentage Yield
1σ	691,462	31
2σ	308,537	69
3σ	66,807	93.3
4σ	6,210	99.38
5σ	233	99.977
6σ	3.4	99.99966

SIX SIGMA

Six Sigma is a **disciplined, statistical-based, data-driven quality management programme**. It focuses on **continuous improvement of processes** by **reducing defects** to a level of **3.4 defects per million opportunities (DPMO)**.

Six Sigma was **developed by Motorola in the mid-1980s** and later popularised by **General Electric (GE)** in the early 1990s. Today, it is adopted by **thousands of organizations worldwide** across manufacturing and service sectors.



Six Sigma is

1. A Business Strategy

Six Sigma acts as a **business strategy** by enabling organizations to achieve **revenue growth, cost reduction, and process improvement** across all functions.

2. A Vision

Six Sigma helps **senior management** create a **defect-free and positive work environment** focused on quality and customer satisfaction.

3. A Benchmark

Six Sigma serves as a **benchmarking tool** by continuously improving process performance and then reapplying the methodology to achieve even higher standards.
Example: Improving pizza delivery time from **60 minutes to 45 minutes**, and then from **45 minutes to 30 minutes**.

4. A Goal

Six Sigma enables organizations to set **stringent performance goals** and systematically work towards achieving them using structured methodology.

5. A Statistical Measure

Six Sigma is a **data-driven approach** that uses **statistical analysis** to identify **root causes of defects** and measures performance using **sigma levels**.

6. A Robust Methodology

Six Sigma is a **documented and structured problem-solving methodology** that delivers **sustainable and high-return improvements** when applied correctly.

Six Sigma can also be viewed as a **measure of process capability**, where the objective is to **continuously improve the sigma level**, even if **six sigma perfection is not fully achieved**.

Why Six Sigma

With **rising costs**, **increased competition**, and **resource constraints**, organizations require methods that enhance **efficiency and consistency**.

Six Sigma helps organizations by **identifying defects**, **reducing process variation**, and **improving overall performance** through a structured approach.

Key benefits include:

- Reduction in process cycle time
- Decrease in scrap and waste
- Increase in customer satisfaction
- Reduction in factory defects
- Elimination of costly rework

Six Sigma is **not limited to manufacturing** and is widely applied in **service industries, office operations, business processes, and customer service functions**.

How does Six Sigma work?

A **Six Sigma project** evaluates the **current performance** of a process and improves it to a **statistically superior level** using defined methodologies and tools.

There are **two possible situations**:

Situation 1: Existing process is not working reasonably well (DMAIC)

This situation uses the **DMAIC methodology**, which stands for:

1. Define

The problem, project goals, **Critical to Quality (CTQ)** parameters, **Voice of Customer (VOC)**, and project boundaries are clearly defined.

2. Measure

The current performance of the process is measured to establish a **baseline**, and relevant data is collected.

3. Analyze

Data is analyzed to identify **root causes of defects and variations** in the process.

4. Improve

Process improvements are implemented to **eliminate root causes** and **reduce variation**.

5. Control

Controls are established to **sustain improvements** and prevent recurrence of defects.

Situation 2: No process exists (Design for Six Sigma – DFSS)

When no effective process exists, **DFSS** is used, which follows the **IDOV approach**:

1. Identify

Process goals are identified based on **CTQs, VOC, and industry benchmarks**.

2. Design

Alternative solutions are developed, and the **best design** is selected.

3. Optimize

The design is optimized using **statistical modeling and simulations**.

4. Validate

The final design is validated to ensure it **meets process goals and customer requirements**.

Note: Sometimes, a **DMAIC project may convert into a DFSS project** if the existing process is found to be ineffective and requires complete redesign.

Important Caution in Six Sigma

Six Sigma focuses not only on **product quality**, but also on **customer needs and market dynamics**. **Example: Polaroid** adopted Six Sigma but failed because it focused solely on product quality and ignored **changing customer needs**, eventually leading to bankruptcy.

Illustration (Pizza Delivery Example)

A pizza delivery shop promises delivery within **30 minutes**, failing which it offers a **100% refund**.

To qualify as a **Six Sigma process**, the shop must achieve **99.9997% on-time deliveries**.

Critical to Quality (CTQ) Parameters

- **CTQ Name:** Timely pizza delivery
- **CTQ Measure:** Time in minutes
- **CTQ Specification:** Delivery within **30 minutes**
- **Defect:** Delivery taking **more than 30 minutes**

The Six Sigma Training and Certification Levels

The **Six Sigma training and certification levels** are **emulated from the martial arts**. **Six Sigma management** has several levels of certification, namely **Champion, Yellow Belt, Green Belt, Black Belt, and Master Black Belt**. Each level of certification is described below.

Champion – Theory Knowledge

A **Six Sigma Champion** is the most **basic form of Six Sigma certification**. A Champion **understands the theory of Six Sigma management**, but does not yet have the **quantitative skills** to function as an **active Six Sigma project team member**.

Yellow Belt – Basic Knowledge

A **Six Sigma Yellow Belt** is an individual who has **passed the Green Belt certification examination** but has **not yet completed a Six Sigma project**. A Yellow Belt should have a **basic understanding of Six Sigma**, **statistical tools**, and the **DMAIC methodology**. However, **executives** in Six Sigma organizations often function as **Champions of Six Sigma projects**.

Green Belt – Project Worker

A **Six Sigma Green Belt** is an individual who works on projects **part-time**, either as a **team member for complex projects** or as a **project leader for simpler projects**. Green Belts are the **"work horses" of Six Sigma projects**. Green Belts receive training on **DMAIC methodology**, **statistical tools**, **proper data collection**, and **analysis of collected data**. Most **managers** in a mature Six Sigma organization are **Green Belts**.

Black Belt – Project Leader

A **Black Belt** receives the **highest level of training** in the **statistical tools of Six Sigma**.

Black Belts generally **develop plans for Six Sigma project implementation**.

Their responsibilities include **creating project plans**, **leading cross-functional projects**, and **directing team members**, including **Green Belts and Yellow Belts**.

Black Belts usually **train other team members** on Six Sigma tools such as **control charts**, **histograms**, and **Root Cause Analysis (RCA)**.

Master Black Belt – Strategic Mentor

A **Master Black Belt** is **classically trained** in **statistical tools**, **Six Sigma methodology**, and **management processes**. Master Black Belts **mentor and direct groups of Black Belts** and **Six Sigma teams** while reviewing and **resolving complex problems**.

A Comparison of Business Process Reengineering vs. Six Sigma

Features	***BPR***	***Six Sigma***
General Tendency	Radical redesign	Align and maintain
Business drivers	Recession and changing market needs	Service bundling and internet
Goals	Streamlining	Process alignment
Tools	Process maps	Statistical analysis
Method	Challenge process fundamentals	Prioritize by COPQ (Cost of Poor Quality) and Capability
Deployment	Top-down	Top-Bottom-middle
Key feature	Outside consultants	Internal experts
Impact	Short and medium term	Short, medium and long-term
Role of technology	Enabler	Enabler
Risk/return	High-low	Medium-high

Source: www.sixsigma-institute.org

IMPORTANT FOR EXAMS

(Exam Question will be frame from the below mentioned topics)

Lesson 1: Introduction to Strategic Management

1. Introduction to Strategic Management
2. Strategic Management Process
3. Strategic Leadership
4. Strategic Management: Importance for Company Secretaries
5. Strategic Planning
6. Board of Directors and Corporate Social Responsibility
7. Corporate Social Responsibility (CSR)
8. CSR and Corporate Governance
9. Corporate Governance and Role of Company Secretary

Lesson 2: Analysing the External and Internal Environment

1. Analysing the External and Internal Environment
2. Definition of Business Environment
3. Characteristics and Components of Business Environment
4. Internal and External Environment
5. Porter's Five Forces Model

Lesson 3: Business Policy and Formulation of Functional Strategy

1. Business Policy
2. Vision and Mission
3. Corporate Level Strategy & Business Level Strategy
4. Functional Level Strategy
    - Formulation of Finance Strategy
    - Marketing Strategy

      Market Position and Strategy
    - Formulation of Human Resource Strategies
    - Formulation of Production Strategy
    - Formulation of Logistics Strategy

Lesson 4: Strategic Analysis and Planning

1. Situation Analysis
2. SWOT and TOWS Analysis
3. Project Management – PERT and CPM
4. Portfolio Analysis
5. BCG Matrix
6. Ansoff Growth Matrix – Four Ways to Grow a Business
7. ADL Matrix – Product Life Cycle
8. GE McKinsey Matrix
9. Glueck & Jauch: Generic Strategic Alternatives

Lesson 5: Competitive Positioning

1. Porter's Generic Strategies
2. Strategic Implementation
3. Strategic Leadership and Types
4. E-Business and Strategy
5. Fintech
6. Blockchain Technology

Lesson 6: Managing the Multi-Business Firm and Analyzing Strategic Edge

1. Business Process Re-Engineering (BPR)
2. Benchmarking
3. Total Quality Management (TQM)
4. Six Sigma
5. Business Process Re-Engineering vs Six Sigma

Certificate

of

Signature Completion

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