301- STRATEGIC MANAGEMENT

Compulsory Generic Core Course

Generic Core (GC) Courses **Semester -III**

Credits-3

Brief Notes

Unit 1
Understanding Strategy

Strategy

Originally, the word strategy has been derived from Greek 'Strategos', which means generalship. The word strategy, therefore, means the art of the general. Initially , the word Strategy was used in terms of Military Science to mean what a manager does to offset actual or potential actions of competitors. The word is still being used in the same sense. The term strategy began to be used in business with increase in competition and complexity of business operations.

When the term strategy is used in military sense, it refers to action that can be taken in the light of action taken by opposite party. According to Oxford Dictionary, 'military strategy is the art of so moving or disposing the instruments of warfare (troops, ships, aircrafts, missiles, etc.) as to impose upon the enemy, the place, time and conditions for fighting by oneself. Strategy ends, or yields to tactics when actual contact with enemy is made'.

Strategic Management

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

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

Strategic management is an on-going process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly i.e., regularly to determine how it has been implemented and whether it has succeeded or

needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment.

Definition

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

Van Cauwenbergh and Cool (1982) – Strategic management deals with the formulation aspects (policy) and the implementation aspects (organisation) of calculated behaviour in new situations and is the basis for future administration when repetition of circumstances occurs.

Learned (1965) – It is the study of the functions and responsibilities of general management and the problems which affect the character and success of the total enterprise.

Bracker (1980) – Strategic management entails the analysis of internal and external environments of firms to maximize the utilization of resources in relation to objectives.

Strategic management - characteristics

1. Strategic Management as a Process:

Strategic management is basically a process. It has emerged out of management in other fields where the concept of management is taken as a process for achieving certain objectives of the organization. Thus, strategic management involves establishing a framework to perform various processes. The concept of strategic management must embody all general management principles and practices devoted to strategy formulation and implementation in the organization.

2. Top Management Function:

Strategic management is basically top management function. Thus, in order to ensure effective top management function, it is necessary that a distinction should be made between strategic management and operational management which emphasises day-to-day operations in the organization, so that top management can focus more attention on the strategic aspect rather than emphasising on operational management.

Since the environment of the organization is always changing providing new opportunities and threats, top management must spend more and more time on this aspect. Thus, there is a considerable change on the emphasis of top management functions in the organizations, particularly in large and complex organizations. The change is from operational management to strategic management.

3. General Management Approach:

Strategic management has general management approach. This approach has three characteristics – (i) This approach uses system frame of reference in dealing with wholeness of an organization. In this dealing, the emphasis is put on identifying tendencies of various phenomena in the organization and relationships among these tendencies, (ii) Decision criteria are based on overall betterment of the organization as a whole, not the criteria used by functional specialists, (iii) Attempt is made to achieve organizational equilibrium and generation of synergy. This may be even suboptimal for some departments or units of the organization.

4. Relating Organization to Environment:

The focus of strategic management is on relating the organization to its external environment. This emphasises that there is continuous interaction between the organization and its environment taking an open systems approach. Thus, the organization must create adequate channel through which external information will pass to various points in the organization.

5. Long-Term Issues:

Strategic management deals primarily with long-term issues of the organization that may or may not have an immediate effect. For example, investment in research and development (R&D) may yield no immediate effect in terms of new product development. However, this investment may lead to development of new products and, therefore, enhanced profits.

6. Flexibility:

Strategic management has flexibility. This flexibility is required because strategic management works in the context of environment which is quite dynamic. As a result, many strategic actions planned maybe either left, postponed, or changed in the light of environmental requirements.

7. Innovation:

Strategic management puts emphasis on innovation which is the process of introducing new things or new ways of working. Innovation is achieved through new strategic actions which are quite different from the previous actions. Innovation is required to face environmental challenges effectively.

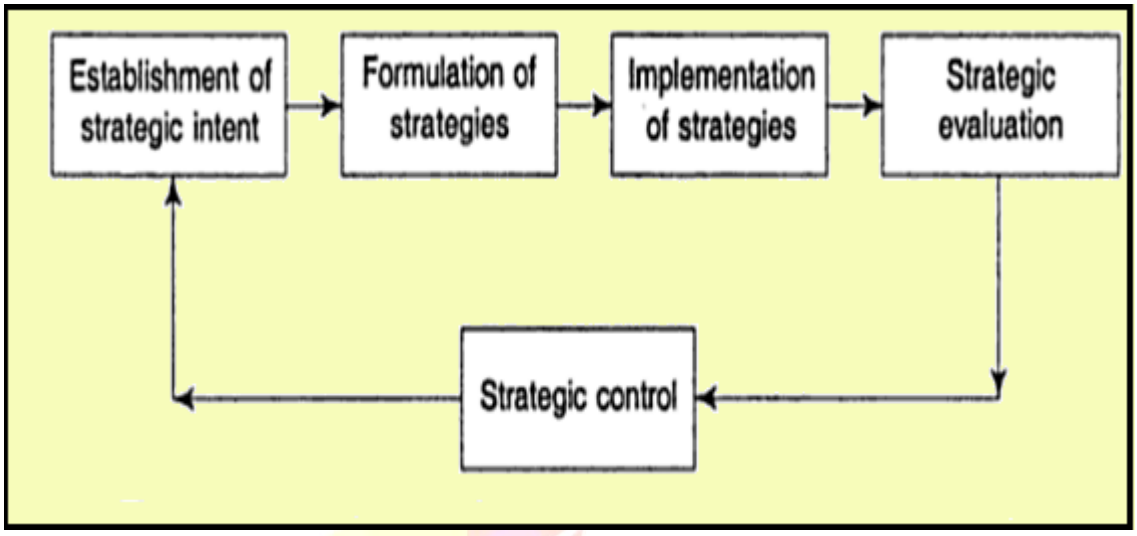
Strategic Management Process

Essentially strategic management involves strategy formulation, strategy execution and evaluation of the effectiveness of strategy. Broadly, strategic management comprises the following steps:

1. Developing vision, mission and corporate objectives.
2. Analysis the corporate's external competitive environment to identify opportunities and threats.
3. Analysis corporate's internal operating environment to identify its strengths and

weaknesses.

4. Formulate and select the strategies on the basis of strengths, weaknesses, opportunities and threats (SWOT — Step 2 and 3).
5. Strategy implementation.
6. Strategy evaluation and control.



Step 1: Developing Vision, Mission and Objectives Strategic management process begins with the development of corporate vision, mission and objectives. Every organisation has a vision, mission and objectives, even if they are not consciously developed, written or communicated. If the firm's existing vision, mission and objectives are not relevant to its business, they need to be rewritten. A corporate vision delineates management's aspirations for the business, providing a panoramic view of "where we are going" and convincing rationale for why this makes good business sense for the organisation. A mission statement defines core purpose of organization.

VISION

Vision is the starting point for articulating organisation's hierarchy of goals and objectives. A vision statement is a vivid idealised description of a desired outcome that inspires, energizes and helps firm to create a mental picture of its target. It represents a destination that is driven by and evokes passion, but it does not specify the means that will be used to reach the desired destination. The vision provides the point of reference on the horizon — a beacon of light. It seeks to answer the basic question, "what do we want to become?" The corporate success depends on the vision articulated by the chief executive officer or the top management. In other words, developing and implementing a vision is one of a leader's central roles. CEO or top management need to have not only a vision statement but also a plan to implement it. This view was supported by a research conducted with sample of 1500 top level employees (630 senior leaders and 870 CEOs) from 20 different countries. The respondents were asked what they believed were the key traits that leaders

must have ninety-eight per cent of respondents opined that "a strong sense of vision," was the most important trait. Similarly, when asked about the critical knowledge skills, the respondents cited "strategy formulation to achieve a vision," as the most important skill.

Examples of Vision

1. Disneyland – "To be the happiest place on earth".
2. ONGC – "To be world-class and gas company integrated in energy business with dominant Indian leadership and global presence".
3. McDonald's - "To be world's best quick service restaurant"

How vision is created

How do you want your community to be different?

- What role do you and your organisation play in your community?
- What will success look like?

Benefits of Having a Strategic Vision

The process and outcome of visioning may seem vague and superfluous. But the long-term benefits are substantial:

1. Breaks you out of boundary thinking.

2. Provides continuity and avoids stumble effect of strategic planning fits and states.

3. Identify direction and share sense of purpose.

4. Promotes interest and commitment.

5. Encourages openness to unique and creative solutions.

6. Encourages and builds confidence.

7. Alerts stakeholders to needed change.

8. Promotes laser-like focus.

9. Builds loyalty through investment (ownership).

10. Provides competitive advantage through superior efficiency and innovativeness

MISSION

Mission follows vision. Creating strategic vision is concerned with "what do we want to become?" On the other hand, a company's mission statement outlines the core purpose of the organisation, "why it exists?" The mission examines the "raison d'être" of a company. The vision

becomes tangible as a mission statement. A company's mission statement is defined by the buyer needs it seeks to satisfy, the customer groups and market segments it is endeavoring to serve and the resources and technologies that is developing in trying to please its customers. A mission statement
is a message designed to be inclusive of the expectations of all stakeholders for the company's performance over the long run. The executives and board who prepare the mission statement attempt
to provide a unifying purpose for an organisation, that will lay emphasis on business and thereby path for development. Generally, mission statement addresses the following questions:
1.Why is this firm in business?
2. What are our economic goals?
3. What is our operating philosophy in terms of quality, company image and self-concept?

Examples of Mission Statements

Microsoft: "We work to help people and businesses through the world realise their fullλ potential.
Toyota: "To contribute to people's lifestyles, society, and the economy through automotiveλ manufacturing."

Components of Mission Statement
There are three indispensable components of the corporate mission statements. They are product or service, specific product or customer, and the principal technology for production of products or delivery.
The above three components reflect the three dimensions of business. Abell has given almost the same dimensions in his definition for business (See Figure 1.5). Central to Abell's definition are
three questions:

- Who is being satisfied (what customer group)?
- What is being satisfied (what customer needs)? and
- How they are being satisfied (by what skills)?

Elements of a Mission Statement

1. A Purpose: Mission statement should consist why does the business exist? Is it there to create wealth for shareholders? Does it exist to satisfy the needs of all stakeholders?

2. A Strategy and Strategic Scope: A strategy may be to produce something. Whereas strategic scope is the boundary that sets terms of geography, market, business method, and so on. Put in simple words, strategic scope reflects the nature of business.

3. Standards and Behaviours: Translation of mission into actions, needs to have policies

and standards of behaviour. For example, if the business mission includes delivering

"Outstanding Customer Service," it needs a policy (it may be like attending to customer

complaint in the same day of receipt).

4. Values: Values of a company state the beliefs of managers and employees who work in

the company. These may include: Loyalty and Commitment.

Step 2: Analysis of Company's External Environment The second phase of strategic management process is analysis of organisation's external operating environment. The prime purpose of analysing external operating environment is to identify (organisation's) strategic opportunities and threats for the organisation, in which organisation pursues its vision, mission and goals. The key environmental factors that affect an organisation are political and legal, economic, technological, socio-cultural and societal factors. All these factors may be grouped into three categories, they are: (1) industry environment, (2) national environment, and (3) macro environment. This is explained in Chapter 2.

Step 3: Analysis of Company's Internal Environment It is the third phase of strategic management process. The essential purpose of the internal analysis is to identify strengths and weaknesses of the organisation. The internal environment of organisation consists of variables that are within the organisation itself. They are the structure, culture and resources. Abusiness becomes strong when it has all these three in balance. The absence of all these or any of them makes the firm weak.

Step 4: Strategy Formulation

Strategy formulation is the development of long-range plans for the effective management of environmental opportunities and threats. In this step, managers develop a series of strategic alternatives to pursue. The alternative strategies may be at global level, corporate level, business level, and functional level. Managers develop a firm specific model, which will align, fit or match the company's resources and capabilities. Strategies should help build competitive advantage.

Step 5: Strategy Implementation
After developing alternative strategies and selecting a specific strategy to achieve competitive advantage, strategy developers must ask managers to put it into action. Sometimes, the existing culture, structure and policies may not support the strategy implementation. In such cases, there is a need to change them or modify them according to the requirement. Managers should not pursue a strategy that does not suit the existing culture, structure and policies. Generally, strategy implementation is done by middle and operating level managers, and the same is reviewed by top level managers.

Step 6: Strategy Evaluation and Control
Strategy Evaluation and Control go side by side strategy implementation. Just strategy

formulation and implementation may not help in achieving corporate objectives. Good control is critical for corporate success. Strategic evaluation and control is the process in which corporate activities and performance results are measured and monitored with a view to compare actual result
with the predetermined target performance. If the corporate objectives are not achieved, then managers need to take corrective action. Evaluation and control helps in identifying weakness in implementing strategies

Strategic Alternatives

Given the mission and objectives and having analysed the strengths and weaknesses of the firm and the environmental opportunities and threats, the strategists should proceed to generate possible alternative strategies. There may be different strategic options for accomplishing a particular objective. For example, growth in business may be achieved by increasing the share in the existing markets or by entering new markets, by horizontal integration or by a combination of these. Increase in supply may be achieved by putting up new plants or by M&A. An entry into new business may be effected by establishing a greenfield wholly owned enterprise, a joint venture or acquisition. There are, thus, a number of strategic options. It is necessary to consider all possible alternatives to make the base for choice wide.

Evaluation and Choice

The purpose of considering different strategic options is to adopt the most appropriate strategy. This necessitates the evaluation of the strategic alternatives with reference to certain criteria. Criteria such as suitability, feasibility and acceptability are commonly employed to evaluate the strategic options.

Benefits of strategic management

i. It helps the organization to be more proactive instead of reactive in shaping its future. Organizations are able to analyze and take action instead of being mere spectators.

ii. It provides framework for all the major business decisions of an enterprise such as – decisions on businesses, products, and markets, manufacturing facilities, investments and organizational structure.

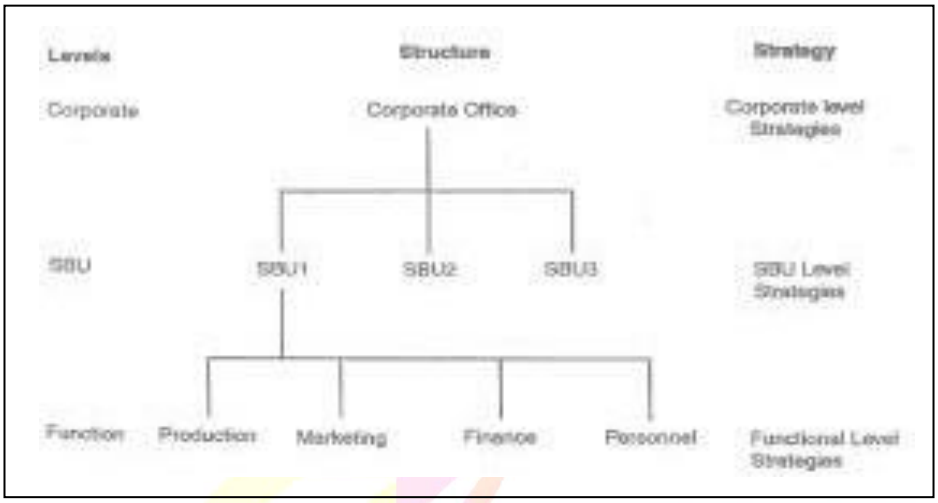
iii. It seeks to prepare the corporation to face the future and acts as a pathfinder to various business opportunities. Organizations are enabled to identify the available opportunities and identify ways and means to reach them.

iv. It helps organizations to avoid costly mistakes in product market choices or investments.

v. It helps organizations to evolve certain core competencies and competitive advantages that assist in their fight for survival and growth.

vi. Strategic management looks at the threats present in the external environment and thus companies can either work to get rid of them or else neutralizes the threats in such a way that they become an opportunity for their success.

vii. It also adds to the reputation of the organizations because of the consistency that results from organizational success.



LEVELS OF STRATEGY

1. Corporate Strategy:

Corporate strategy is the long-term strategy encompassing the entire organisation. Corporate strategy addresses fundamental questions such as what is the purpose of the enterprise, what business/businesses it wants to be in (portfolio strategy) and how to expand/get into such business/businesses

In other words, "corporate-level strategic management is the management of activities which define the overall character and mission of the organisation, the product/service segments it will enter and leave, and the allocation of resources and management of synergy among its SBUs."

Corporate strategy is formulated by the top level corporate management (board of directors, CEO, and chiefs of functional areas).

2. Business Level Strategy:

Business Strategy or Competitive Strategy, is concerned with decisions pertaining to the product mix, market segments and maneuvering competitive advantages for the SBU.

While corporate strategy decides the business portfolio (i.e., the types of business), the competitive strategy decides the strategy/strategies to succeed in the chosen business/businesses.

SBU strategy has to conform, obviously, to the corporate philosophy and strategy.

In short, "the SBU-level strategic management is the management of an SBU's effort to compete effectively in a particular line of business and to contribute to overall organisational purposes."

The responsibility for SBU strategy is with the top executives of the SBU who are normally second-tier executives in the corporate hierarchy. In single-SBU organisations, senior executives have both corporate and SBU-level responsibilities.

3. Functional Strategies:

Functional-level strategies are strategies for different functional areas like production, finance, personnel, marketing, etc. In other words, "functional-level strategic management is the management of relatively narrow areas of activity, which are of vital, pervasive, or continuing importance to the total organisation."

Functional-level strategy is the responsibility of functional area heads.

Strategic Intent

strategic intent is defined as a compelling statement about where an organization is going that succinctly conveys a sense of what that organization wants to achieve in the long term.

Definition: Strategic Intent can be understood as the philosophical base of the strategic management process. It implies the purpose, which an organization endeavor of achieving. It is a statement, that provides a perspective of the means, which will lead the organization, reach the vision in the long run.

Vision

The first task in the process of strategic management is to formulate the organisation's vision and mission statements. These statements define the organisational purpose of a firm. Together with objectives, they form a "hierarchy of goals."

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

Vision has been defined in several different ways. Richard Lynch defines vision as " a challenging and imaginative picture of the future role and objectives of an organisation, significantly going

beyond its current environment and competitive position." E1-Namaki defines it as "a mental perception of the kind of environment that an organisation aspires to create within a broad time horizon and the underlying conditions for the actualization of this perception". Kotter defines it as "a description of something (an organization, corporate culture, a business , a technology, an activity) in the future."

Vision statement should be

1. Possibility means the vision should entail innovative possibilities for dramatic organisational improvements.
2. Desirability means the extent to which it draws upon shared organisational norms and values about the way things should be done.
3. Actionability means the ability of people to see in the vision, actions that they can take that are relevant to them.
4. Articulation means that the vision has imagery that is powerful enough to communicate clearly a picture of where the organisation is headed.

Mission

The mission defines the fundamental reason for the Organization's existence. It provides a framework for decision making that gives direction for the entire organization. It is an overall goal of the organization that provides a sense of Direction and a guide to decision-making for all levels of management i.e. Organizational objectives and strategies at lower levels are developed from the mission.

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

Thompson defines mission as "The essential purpose of the organisation, concerning particularly why it is in existence, the nature of the business it is in, and the customers it seeks to serve and satisfy". Hunger and Wheelen simply call the mission as the "purpose or reason for the organisation's existence". A mission can be defined as a sentence describing a company's function, markets and competitive advantages. It is a short written statement of your business goals and philosophies. It defines what an organisation is, why it exists and its reason for being. At a minimum, a mission statement should define who are the primary customers of the company, identify the products and services it produces, and describe the geographical location in which it operates.

Mission statements should include the following components

- Targets customers and markets
- Principal products
- Geographic domain
- Core technologies used
- Concern for survival, growth and profitability
- Organizational self concept
- Desired public image.
- The organization's guiding philosophy

Objectives

An objective is a statement of what is to be achievable, measurable and stated with specific time frames. They can be classified as either short-range, medium or long range. They may also be corporate, business unit or functional/ departmental objectives. Organizational objectives may be in the following areas;

1. Profitability

2. Service to customers

3. Employee wellbeing and welfare

4. Social responsibility.

The vision, mission, business definition, and business model explains the philosophy of business but the goals and objectives are established with the purpose of achieving them.

Critical Success Factors

- Critical Success Factors (CSFs) are defined as the resources, skills and attributes of an organisation that are essential to deliver success in the market place. CSFs are also called "Key Success Factors" (KSFs) or "Strategic Factors". They are the key factors which are critical for organisational success and survival. Critical success factors will vary from one industry to another. For example, in the perfume and cosmetics industry, the critical success factors include branding, product distribution and product performance, but are unlikely to include low labour costs, which is a very important CSF for steel companies. CSFs can be used to identify elements of the environment that are particularly worth exploring.
- The Japanese strategist Kenichi Ohamae, the former head of the management consultants Mc Kinsey, in Japan, has suggested that the CSFs (or key success factors, as he calls them) are likely to deliver the company's objectives. He argues that, when resources of capital, labour and time are scarce, it is important that they should be concentrated on the key

activities of the firm, that is, those activities that are considered most important to the delivery of whatever the organisation regards as success.

Key Performance Indicator (KPI) Definition

A Key Performance Indicator is a measurable value that demonstrates how effectively a company is achieving key business objectives. Organizations use KPIs at multiple levels to evaluate their success at reaching targets. High-level KPIs may focus on the overall performance of the business, while low-level KPIs may focus on processes in departments such as sales, marketing, HR, support and others.

limitations of strategic management are the following:

1. Strategic management is based on certain premises and if the premises do not hold valid, the strategy or plans based on them would not be realistic or effective. These points to the need for exercising due diligence in premising and to the importance of strategic control, particularly premise control.

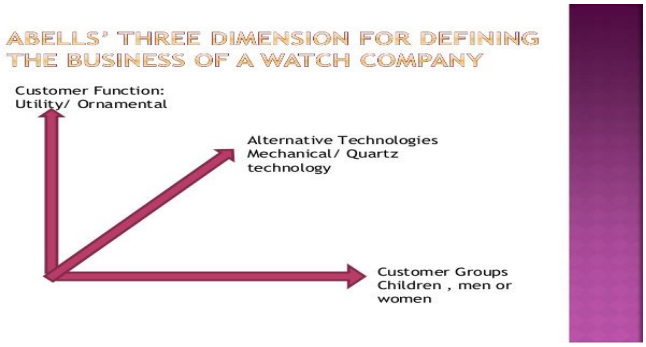
2. SWOT analysis has a very important role in strategic management. Obviously, if the SWOT analysis is not right, the strategy based on it may go awry. SWOT analysis is an exercise which requires lot of expertise and information. When these two are lacking, the utility of the SWOT analysis is questionable and it could even lead to formulation of wrong or ineffective strategies.

3. Strategic management is a means to achieve the mission and objectives of the organization. Hence, any lack of realism or other limitation of the mission/objectives would naturally get reflected in the strategy.

4. One of the criticisms against strategic management is that it sometimes makes the organisation over-ambitious and the resultant failure to reach the goals cause frustration. Unrealistic strategies may land companies in severe problems.

5. Another criticism advanced against strategic management is that it makes the future vision tunneled that several opportunities may be overlooked. Against this criticism, it may be argued that the strategy is formulated after scanning all the opportunities. Further, a good strategic management also envisages modification of the strategy when changes in the environment call for it.

BUSINESS DEFINITION USING ABELL'S THREE DIMENSIONS



The model is used to analyze the scope of operation for a **business**. ... The **three dimensions** of the **business** are the customer groups (who will be served by the **business**), customer needs (what are the customer needs that will be met) and technology or distinctive competencies (how are these needs going to be met)

Environmental Threat & Opportunities Profile (ETOP)

ETOP analysis is a management tool that analyses environmental information and determines the relative impact of threats and opportunities for the systematic evaluation of the environment.

Environment scanning is the process of gathering, analyzing and dispensing information for tactical or strategic purposes.

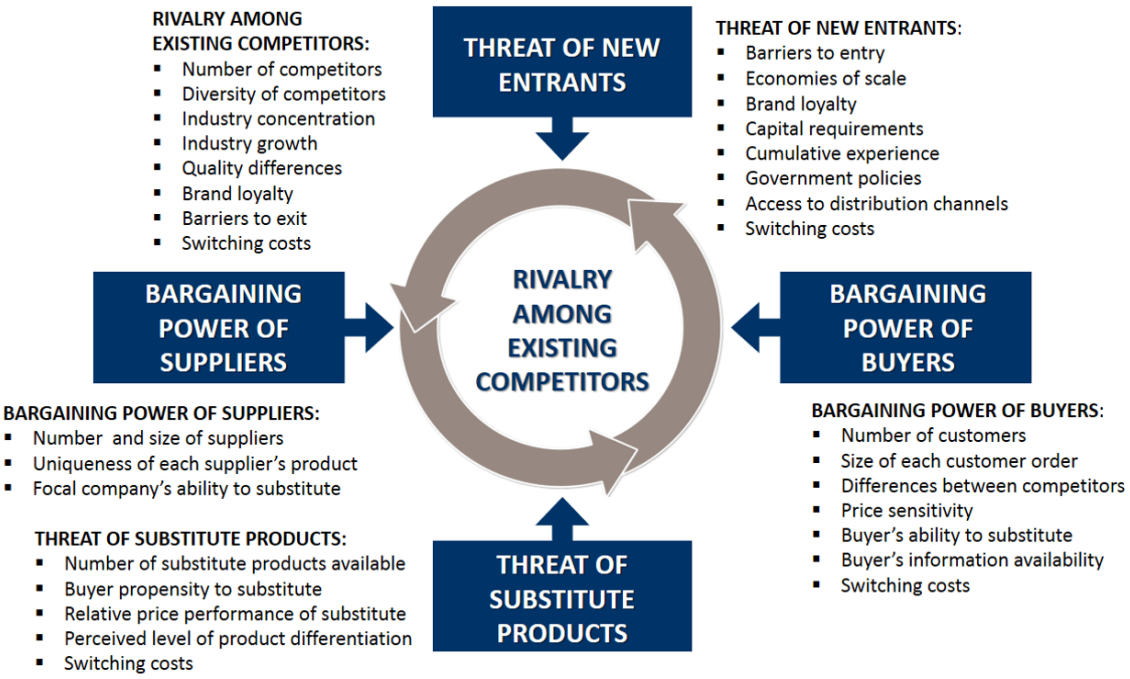
ETOP process involves dividing the environment into different environmental sectors and then analyzing the impact of each sector on the organisation.

ETOP gives a clear picture to the strategies about each aspect of the business environment, the various individual factors within each sector which affect the business favourably or otherwise.

Environmental Sectors	Nature of Impact	Impact of Each sector
Economic	↓	Economy slowdown; Increase in interest rates
Market	↓	Less growth in demand in domestic market
International	↓	A meager share of export; Threat of Chinese substitution
Political	→	No political impact
Regulatory	↓	Decrease in import duty; Environmental clearance hurdle;
Social	→	No Social Impact as mostly B2B
Supplier	→	No Apparent Impact
Technological	↓	Less advanced technology

PORTERS FIVE FORCES MODEL

Definition: Porter's five forces model, refers to a framework based on the competitive analysis, introduced by **Harvard Business School Prof. Michael E. Porter**. The model determines the intensity of competition in any industry is a mix of five competitive factors operating in different areas of the whole market.



1. **Threat of new entrants**: Potential entrant is the major source of competition in the industry. It analyses the ease of entry to the new market, i.e. if the entry is easy, then the level of competition in the industry is severe.
2. **Bargaining power of suppliers**: Suppliers, also exert substantial bargaining power over the firms, by threatening to increase prices or degrade quality. Thus, the factor analyses bargaining power of industry suppliers, which directly affects the profitability, i.e. the higher the cost, the lesser is the profitability.
3. **Bargaining power of customers**: Buyer groups are likely to exercise power if, they are concentrated, products are homogeneous, the switching cost is low, and full information is available.
4. **Threat from substitutes**: It is the quiescent source of competition, present in the industry. They are the key cause of competition in many industries
5. **Rivalry among current players**: Last but not the least, is the rivalry among current players, which is all that is known as competition.

B**arrier** to **entry** : It is something that blocks or impedes the ability of a company (competitor) to enter an industry. A barrier to exit is something that blocks or impedes the ability of a company

(competitor) to leave an industry. There are various strategies by which a company pose entry and exit barrier such as patent, trade mark etc.

Unit 2

Analyzing Company's Internal Environment

Resource based view of a firm: A manager has to focus and analyse to all the resources and identify the unique or rare resources which are used by the firm so that it has got tremendous success.

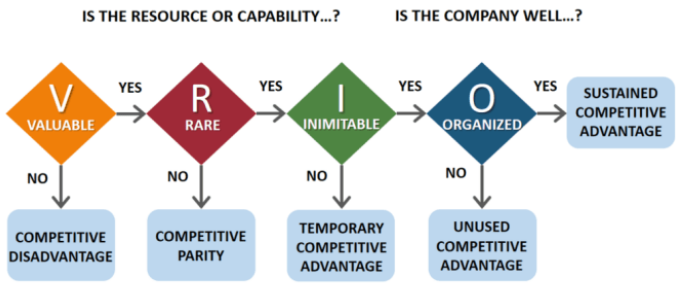
Analyzing Company's Resources and Competitive Position – Competitive analysis is the analysis of recourses of a company and assessing its competitive position over and above its competitors. Competitive analysis, therefore, deals with the actions and reactions of an organization within an industry.

Competitive parity: Competitive parity is a concept where you match your standard with your competitors. An organization sells ink pens at a lower price than its competitors. An organization produces ink pens at the same rate as its competitors It is called competitive parity. Therefore, a firm has competitive parity if it produces ink pens at the same rate as its competitors.

Competitive disadvantage: A competitive disadvantage is an unfavorable condition that causes a firm to underperform in an industry. Disadvantages typically include things such as lack of know-how, unsuitable location, inefficient distribution, quality, product features, process efficiency, productivity and costs.

The VRIO Framework

VRIO Model is part of the Resource-Based view



Valuable

First and foremost resources must be valuable. According to the RBV, resources are seen as valuable when they enable a firm to implement strategies that improve a firm's efficiency and

effectiveness by exploiting opportunities or by mitigating threats. Another way to assess whether a resource or investment is valuable is by looking at its NPV, meaning that the costs invested in the resource should be lower than the expected future cash flows discounted back in time. If non of the resources possessed by a firm are considered valuable, the focal firm is likely to have a competitive disadvantage.

Rare

Secondly, resources must be rare. Resources that can only be acquired by one or few companies are considered to be rare. If a certain valuable resource is possessed by a large amount of players in the industry, each of the players has a capability to exploit the resource in the same way, thereby implementing a common strategy that gives non of the players a competitive advantage. Such a situation is indicated as competitive parity or competitive equality. In case a company does possess a large amount of resources that are valuable and rare, it is likely to have at least temporary competitive advantage.

Inimitable

Although valuable and rare resources may help companies to engage in strategies that other firms cannot pursue since the other firms lack the relevant resources, it is no guarantee for long-term competitive advantage. It may give the focal company a first-mover advantage but competitors will probably try to imitate these resources. Another criteria that resources should meet is therefore that they should be hard and costly to imitate or substitute. According to the RBV, resources can be imperfectly imitable due to a combination of three reasons:

Unique historical conditions: choices made in the past influence the options a company has in the present and future (path-dependency). Similarly, a company that has located its facilities on what turns out to be a much more valuable location than initially anticipated, has an imperfectly imitable physical resource.

Causal ambiguity: causal ambiguity exists when the link between the resources controlled by the focal company and its sustainable competitive advantage is not fully understood. Competitors won't be able to duplicate the focal company, since they simply don't know which resources they should imitate.

Social complexity: if the most important resource of a company is a combination of the strenght of its social network, interpersonal relations, a company's culture and its reputation among both suppliers and customers, it is very hard for competitors to build an identical social network since it is dependent on so many different factors.

If a company's resources are both valuable, rare and inimitable due to the reasons mentioned above, the focal company has a high potential to gain a competitive advantage that is sustainable over time. There is however one more important criteria that needs to be present within the company.

Organization

The resources them self do not create any advantage for a company if the company is not organized in way to adequately exploit these resources and capture the value from them. The focal company therefore needs the capability to assemble and coordinate resources effectively. Examples of these organizational components include a company's formal reporting structure, strategic planning and budgeting systems, management control systems and compensation policies. Without the correct organization to acquire, use and monitor the resources involved, even companies with valuable, rare and imperfectly imitable resources will not be able to create a sustainable competitive advantage. When all four resource attributes are present, a company is safe to assume it has a distinctive competence that can be used as source of sustainable competitive advantage. Below is a diagram that sums up the four VRIO attributes and the resulting advantages the company has in different situations.

Core Competence

The concept of "Core Competency" comes from management professors Gary Hamel & C.K. Prahalad. They introduced the idea in their 1990 article for the Harvard Business Review – "The Core Competence of the Organisation." They explained ' A company's competitiveness derives from its core competencies and core products (the tangible results of core competencies).

Definition

According to Coyne,Hall and Clifford, 'Core competence is a combination of complementary skills and knowledge based embedded in a group or team that results in the ability to execute one or more critical processes to a world class standards'.

Core competence is the collective learning in the organization, especially the capacity to coordinate diverse production skills and integrate streams of technologies

Core competence is among the best-known strategic management concepts. A core competence it is believed to constitute and sustain the firm's competitive advantage. The importance of core competencies for organizations is explored, in addition to technical capacities as one of the elements that allow organizations to be competitive in the market.

The characteristics of core competencies are as follows:

They provide a set of unifying principles for the organization and they are pervasive in all strategies.

- They provide access to a variety of markets.

- They are critical in producing end products.
- They are rare or difficult to imitate.

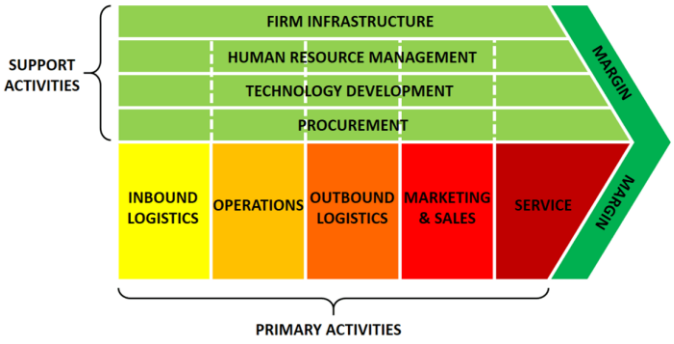
Distinctive competence

Distinctive competence refers to some characteristic of a business that it does better than its competitors. Because the business is able to do something better than other businesses, that business has a competitive advantage over other businesses.

Benchmarking is the process of comparing the business processes and performance metrics including cost, cycle time, productivity, or quality to another that is widely considered to be an industry standard benchmark or best practice. Essentially, benchmarking provides a snapshot of the performance of a business and helps one understand where one is in relation to a particular

Bench marking is all about comparison of the firms resources and capabilities with the best origination in the industry and take the correct decision.

Value Chain Analysis Using Porter's Model: primary & secondary activities



The activities are classified in primary and secondary.

Primary activities includes inbound logistic, operations, outbound logistic, marketing ,sales and service.

Secondary activities includes Infrastructure , HRM, Technology and Procurement.

Both the activities are equally important for the organization.

The BCG Matrix

The BCG Matrix, otherwise known as the growth share matrix, is a portfolio management framework that helps companies decide how to strategically manage a portfolio of products or services.

Stars(High Growth, High Market Share)

Star units are leaders in the category. Products located in this quadrant are attractive as they are located in a robust category and these products are highly competitive in the category.

Question Marks(High Growth, Low Market Share)

Like the name suggests, the future potential of these products is doubtful. Since the growth rate is high here, with the right strategies and investments, they can become Cash cows and ultimately Stars. But they have low market share so wrong investments can downgrade them to Dogs even after lots of investment.

Cash Cows(Low Growth, High Market Share)

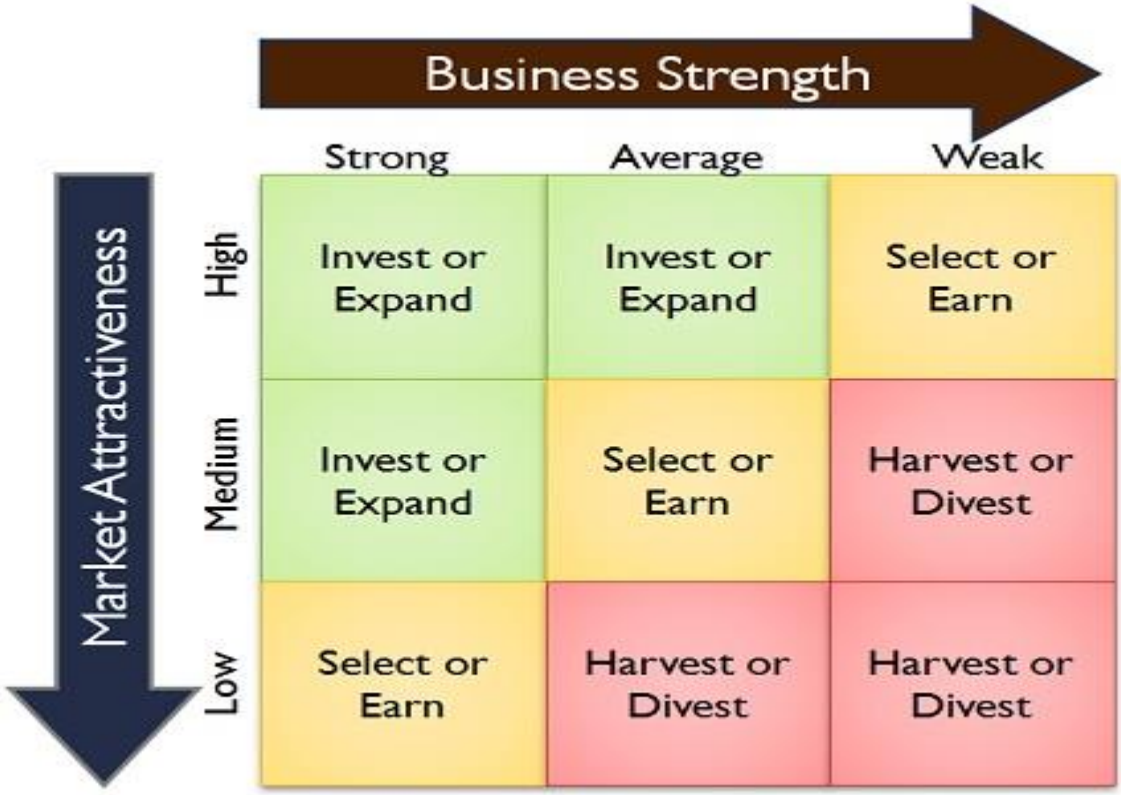
These products or services generate interesting profits and cash but need to be replaced because the future growth will be lower. If they are profitable, they can finance other activities in progress (including stars and question marks).

Dogs(Low Growth, Low Market Share)

Dogs hold low market share compared to competitors. Neither do they generate cash nor do they require huge cash. In general, they are not worth investing in because they generate low or negative cash returns and may require large sums of money to support. Due to low market share, these products face cost disadvantages.

GE-McKinsey nine-cell matrix

It is a strategy tool that offers a systematic approach for the multi business corporation to prioritize its investments among its business units. It is a framework that evaluates business portfolio, provides further strategic implications and helps to prioritize the investment needed for each business unit.



Industry Attractiveness

Industry attractiveness indicates how hard or easy it will be for a company to compete in the market and earn profits. The more profitable the industry is the more attractive it becomes. When evaluating the industry attractiveness, analysts should look how an industry will change in the long run rather than in the near future, because the investments needed for the product usually require long lasting commitment.

Industry attractiveness consists of many factors that collectively determine the competition level in it. There's no definite list of which factors should be included to determine industry attractiveness, but the following are the most common

Long run growth rate & Industry size

Industry profitability: entry barriers, exit barriers, supplier power, buyer power, threat of substitutes and available complements

1. Industry structure
2. Product life cycle changes
3. Changes in demand
4. Trend of prices
5. Macro environment factors Seasonality
6. Availability of labor
7. Market segmentation
8. Competitive strength of a business unit or a product

Along the X axis, the matrix measures how strong, in terms of competition, a particular business unit is against its rivals. In other words, managers try to determine whether a business unit has a sustainable competitive advantage or not. If the company has a sustainable competitive advantage, the next question is: "For how long it will be sustained?"

The following factors determine the competitive strength of a business unit:

1. Total market share
2. Market share growth compared to rivals
3. Brand strength (use brand value for this)
4. Profitability of the company
5. Customer loyalty
6. Your business unit strength in meeting industry's critical success
7. Strength of a value chain
8. Level of product differentiation
9. Production flexibility

Advantages

- Helps to prioritize the limited resources in order to achieve the best returns.
- Managers become more aware of how their products or business units perform.
- It's more sophisticated business portfolio framework than the BCG matrix.
- Identifies the strategic steps the company needs to make to improve the performance of its business portfolio.

Disadvantages

- Requires a consultant or a highly experienced person to determine industry's attractiveness and business unit strength as accurately as possible.
- It is costly to conduct.

- It doesn't take into account the synergies that could exist between two or more business units.

Unit 3

3. Generic Competitive Strategies

Michael Porter in his book Competitive Advantage (1985) describes how a company pursues competitive advantage across its chosen market scope. There are three generic strategies, either lower cost, differentiated, or focus.

Low cost Strategy :

It is a strategy, when a company offers its products at comparative low price than its competitor. A low-cost provider seeks to sell its products at the lowest price it can, while still making a profit so that it can draw customers to the market, boost their sales volumes and earn good profit. For example, if two companies make essentially identical products that sell at the same price in the market place, the one with the lower costs has the advantage of a higher level of profit per sale.

The lower its costs, the better able are an enterprise to charge a lower price. The more successful an enterprise is at achieving this, the more likely it is to outcompete other enterprises who cannot charge the same price without squeezing their profit or even starting to make a loss. For the moment the supply and demand sides in any product market are assumed to be completely independent of each other. There are two main situations when this is certainly not the case:

1. Where the incurring of a cost allows the enterprise to set the price at a compensating higher level, most typically when the increase in costs finances a successful marketing promotion or any activity which changes the perception of the product in a positive way. The demand for the product is then positively correlated with the level of expenditure. In this case, by shifting the supply curve upwards to accommodate the higher costs, the enterprise can also shift its demand curve upwards. The key issue for the enterprise is then, which moves further?

2. Where a reduction in costs leads to a reduction in the quality of the product or service offered. This might include a reduction in the quality of inputs in the production process or a reduction in design activity. In this case, short-term cost reduction is at the expense of one of the key stakeholder groups, the customers of the enterprise. A negative reaction by this stakeholder group might reduce demand in the medium or longer term.

Differentiation strategy

It is a strategy , When a company offers its products with extra or different features as compare to its competitors' product. It attracts the consumer, satisfy their special needs and a company gets

good profit. A company provide a product something unique, different and distinct from items their competitors may offer in the marketplace. The main objective of implementing a differentiation strategy is to increase competitive advantage.

Focus Strategy

Focus strategy involves targeting your products to a specific customers or targeted audience. The idea behind focus strategy is developing, marketing and selling products or services to a niche market, such as a particular type of consumer, a specific product line or a targeted geographical area

Grand Strategies: A grand strategy means all the strategies that will be used to achieve long-term objectives. The Grand Strategies are the corporate level strategies designed to identify the firm's choice with respect to the direction it follows to accomplish its set objectives. Simply, it involves the decision of choosing the long term plans from the set of available alternatives. The Grand Strategies are also called as Master Strategies or Corporate Strategies.

Stability strategies

Stability strategy is a strategy in which the organization retains its present strategy at the corporate level and continues focusing on its present products and markets. ... No-Change Strategy It is a conscious decision to do nothing new. The firm will continue with its present business definition. No-Change Strategy, Profit Strategy , Proceed-With Caution Strategy, Growth through Concentration are some example of stability strategy.

Growth:

Strategy aimed at winning larger market share, even at the expense of short-term earnings. A growth strategy is one under which management plans to advance further and achieve growth of the enterprise, in fields of manufacturing, marketing, financial resources etc.Following are the growth strategies.

Diversification:

Diversification is quite an important growth strategy. As growth entails risk, diversification, as a growth strategy, implies developing a wider range of products to diffuse risk or to reduce risk associated with growth. The fundamental philosophy of diversification is presumably contained in an old English proverb which suggests that one should not keep all one's eggs in one basket.

Merger

A merger occurs when two separate entities combine forces to create a new, joint organization. Meanwhile, an acquisition refers to the takeover of one entity by another. Mergers and

acquisitions may be completed to expand a company's reach or gain market share in an attempt to create shareholder value

A merger involves the mutual decision of two companies to combine and become one entity; it can be seen as a decision made by two "equals.

Acquisition & Takeover Strategies,

Acquisitions occur when one company acquires another with the permission of its board to do so. Companies pursue acquisitions for several purposes. ..

Companies acquire other firms to increase their market share, obtain new facilities and acquire advanced technology. In an acquisition, the board of directors of an acquired firm agrees to allow another company to control the firm for a certain price. The firm making the acquisition usually agrees to purchase the acquired company's assets or stock. Purchasing the assets allows the acquiring company to avoid needing shareholders' approval. The company desiring to make the acquisition must perform due diligence before the acquisition process begins.

Strategic Alliances : A strategic alliance is an agreement between two or more parties to pursue a set of agreed upon objectives needed while remaining independent organizations. A strategic alliance will usually fall short of a legal partnership entity, agency, or corporate affiliate relationship

The Strategic Alliance refers to the agreement between two or more firms that unite to pursue the common set of goals but remain independent after the formation of the alliance. In other words, when two companies come together to achieve the common objective by sharing the particular strengths (resources) with each other is called as a strategic alliance.

The partner firms in the strategic alliance share the benefits and control over the performance of the assigned task but are less involved and less permanent than the joint venture. Unlike joint venture where the partner firms pool their resources to form a separate business entity, in a strategic alliance, the firms to the agreement remain independent and come together just to capitalize on the strengths of each other.

Collaborative Partnerships

Collaborative partnerships are agreements and actions made by consenting organizations to share resources to accomplish a mutual goal. Collaborative partnerships rely on participation by at least two parties who agree to share resources, such as finances, knowledge, and people.

Retrenchment –

Definition: The Retrenchment Strategy is adopted when an organization aims at reducing its one or more business operations with the view to cut expenses and reach to a more stable financial position.

In other words, the strategy followed, when a firm decides to eliminate its activities through a considerable reduction in its business operations, in the perspective of customer groups, customer functions and technology alternatives, either individually or collectively is called as Retrenchment Strategy.

The firm can either restructure its business operations or discontinue it, so as to revitalize its financial position. There are three types of Retrenchment Strategies:

1.Turnaround: The book publication house may pull out of the customer sales through market intermediaries and may focus on the direct institutional sales. This may be done to slash the sales force and increase the marketing efficiency.

2. Divestment: The hotel may focus on the room facilities which is more profitable and may shut down the less profitable services given in the banquet halls during occasions.

3. Liquidation : The Liquidation Strategy is the most unpleasant strategy adopted by the organization that includes selling off its assets and the final closure or winding up of the business operations.

It is the most crucial and the last resort to retrenchment since it involves serious consequences such as a sense of failure, loss of future opportunities, spoiled market image, loss of employment for employees, etc.

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

Failure of corporate strategy

- Continuous losses
- Obsolete technology
- Outdated products/processes
- Business becoming unprofitable
- Poor management
- Lack of integration between the divisions

4. Outsourcing Strategies: Now a day's company outsources their activities so that it can focus on its core function. It save their time and cost. Recruitment, Customer care, after sale service etc. functions are performed by outside company.

UNIT 4

Strategy Implementation

Strategy Implementation refers to the execution of the plans and strategies, so as to achieve the long-term goals of the organization. It converts the opted strategy into the moves and actions of the organisation to achieve the objectives.

Strategic implementation is a process that puts plans and strategies into action to reach desired goals. The strategic plan itself is a written document that details the steps and processes needed to reach plan goals, and includes feedback and progress reports to ensure that the plan is on track.

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

Mintzberg's 5 Ps

5 P's of Henry Mintzberg-

The 5 P's of Strategy model was developed by the Canadian management scientist Henry Mintzberg with an objective to develop five distinguished strategic visions for the organizations. The Five strategic visions are Plan, Pattern, Position, Perspective, and Ploy. All the five components allow the organizations to implement the strategy in a more effective manner.

1) Plan

It is always better for the organizations to have a plan of action much in advance to be prepared for any unforeseen internal and external situations. And a well-planned strategy is a plan to deal with such situations. A plan needs to be made with a long-term and a futuristic approach in mind with its execution and development followed up in a detailed and intricate manner.

The business goals and objectives can be attained with a good plan plus it enables the management and the key employees of the company with a clear vision and mission in hand.

2) Ploy

The facet of ploy is also one of the strategic options to beat the competition in the market and gain the advantage. In this scenario, the organizations can come up with something very outlandish and unexpected and surprise the market environment that also creates the waves of the ruckus within the minds of the competitors.

It can be a well placed promotional tool or a feature in the product or service that is sure to outsmart and beat the competitors as a ploy.

3) Pattern

As mentioned earlier, the aspect is the plan in the 5 P's of Strategy model by Mintzberg focuses on the intended strategy but the aspect of pattern comes into the picture where the strategies have already been implemented before.

4) Position

The aspect of position in formulating the organizational strategy needs to be carefully understood, designed, planned, and executed as it will define the overall position of the organization in the market considering all the internal and external factors.

It focuses on how the organization wants to portray itself in the market and in the minds of the consumers that will gain it a competitive advantage. What will be the core values, unique selling propositions, nature and attributes of the offerings of products and services, and the overall brand strength and value proposition? Working on all these factors in a detailed manner will help the organization carve a distinctive position in the market with an edge over others.

5) Perspective

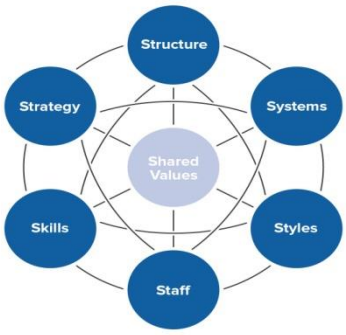
The facet of perspective in the model of 5 P's of Strategy is quite indifferent to all of the above-mentioned paths this one draws a larger perspective keeping the organization at the focal point.

The organization formulates the strategy by dwelling on the crucial and important details such as how does the target audience think about the organization? How do employees of the company perceive the management and the brand as a whole? What is the perspective of the investors and other stakeholders of the organization? The culmination and thought patterns of all

these individual perspectives work as the valuable source of information for the company and help it to make a strategic choice.

Mc Kinsey's 7s Framework.

Definition: McKinsey 7s model can be termed as an internal assessment tool for business organizations. It determines the organizational effectiveness by examining the alignment of the seven essential elements (i.e., hard elements – systems, strategy, structure; and soft elements – share values, staff, style, skills) with the core values of the entity.



Hard Elements

The elements which can be easily recognized and treated by the management in case of any issues are known as hard elements. This model states the following three hard components of an organization:

Strategy : A strategy is a set of actions formulated by the management, keeping in view the long term organizational objectives.

Structure: The organization's roles, responsibilities, authority and hierarchical arrangement determine its structure.

It defines the level of accountability and answerability of each personnel. It clearly states that who will report to whom, defining the superior-subordinate relations within the company.

Systems: The methods, procedures and process which forms the base of carrying out the routine business operations are termed as an organizational system. For instance, accepting only cash payment is a system in some organizations.

McKinsey model helps the management to set standards for regular decision making. Thus, it emphasizes on designing and establishing a robust system.

Soft Elements

On the contrary, soft elements are complex and dynamic. These factors, usually define the organizational culture.

This model highlights the four essential soft elements which are explained in detail below:

Shared Values: This element can be entitled as the foundation of an entity. Shared values are the standards, principles, believes and norms set by the organization as guidelines for its people.

Style: In simple terms, style refers to how leadership and management of an organization are carried out to attain organizational goals.

Staff: The composition of different personnel, engaged in carrying out various operations within the company, are unanimously called staff.

Skills: The competencies or abilities of efficiently performing a particular task is termed as skills.

An organization has to find out the strengths and weaknesses of its personnel by adequately understanding their skills set.

Advantages

- When the essential components of the firm are aligned with its vision, the organization can achieve the desired objectives in a better way.
- It helps in bringing the various departments and processes in sync with each other, especially when mergers or acquisition takes place.
- It also facilitates the systematic application of the policies, regulations and strategies framed by the top management.
- The management can analyze the effects of changing corporate culture, policies, strategies, structure, technology over the organization.
- It is a broad approach since it inspects each of the seven elements and their correlation with each other.
- This model is not only theoretically developed but have been practically tested and applied for managing business organizations.

Organization Structures for Strategy Implementation:

Functional Organization Structure: Under a functional organization structure, people who do similar tasks are grouped together based on specialty. So all the accountants are placed in the

finance department and so on for the marketing, operations, senior management and human resources departments.

Divisional Structure Based on Products: In a divisional structure, your company groups workers into teams based on the products or projects that meet the needs of a certain type of customer. For example, a bakery with a catering operation might structure the workforce based on key clientele, such as a wedding department and a wholesale-retail department. The division of labor in this kind of structure ensures workers making similar products can achieve greater efficiency and higher output.

Matrix Structure Combines Functional and Divisional Models:A matrix structure combines elements of the functional and divisional models, so it's more complex. It groups people into functional departments of specialization, then further separates them into divisional projects and products.

In a matrix structure the team members are given more autonomy and expected to take on more responsibility for their work. This increases the productivity of the team, fosters greater innovation and creativity, and allows managers to cooperatively solve decision-making problems through group interaction. This type of organizational structure takes lots of planning and effort, making it appropriate for large companies that have the resources to devote to managing a complex business framework.

Flat Organizational Structure: A flat organizational structure attempts to disrupt the traditional top-down management system of most companies. Management is decentralized so there is no everyday "boss." Each employee is the boss of themselves, eliminating bureaucracy and red tape and improving direct communication.

For example, an employee who has an idea doesn't have to wade through three levels of upper managers to get the idea to the key person making the decision. The employee simply communicates directly with the target on a peer-based level.

A company adopting this type of structure for everyday purposes typically establishes a special top-down management system for temporary projects or events.

The environment can be stable, that is, one in which there is little unpredictable change. ... A turbulent environment exists when changes are unexpected and unpredictable. The key environmental issues concern the nature of the pressure for change and the speed at which the organization must be able to respond an act.

Strategic Reengineering: Reengineering involves completely rethinking existing business methods, work procedures, and attitudes toward customers and suppliers. It usually starts from a "clean sheet of paper". It is not about marginal improvement…it is about reinvention rather than evolution.

It is also defined as the redesign of business processes—and the associated systems and organizational structures—to achieve a dramatic improvement in business performance. ... It is the examination and change of five components of the business strategy, process, technology, organization, and culture.Forimplimenitng strategy or as a strategic process.

Management by objectives (MBO)

Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees . MBO MBO is an overall philosophy of management that concentrates on measurable goals and end results.

• MBO starts with the establishment of clear and concise goals of performance which are understood and accepted by both superior and subordinate.

• What is to be done, how the subordinate will proceed, what steps will be taken, and what activities will be engaged – they must be developed by both manager and subordinates or – by the subordinate alone. • Periodic review • Emphasis should be on improving performance rather than degrading subordinates.

Appraising Performance • Last phase of the MBO programme. • Actual results against predetermined standards. • Appraisal should be based on mutual trust and confidence between managers and subordinates.

Balanced scorecard for strategy evaluation

As explained by the Balanced Scorecard Institute, the balanced scorecard was designed by Drs. Robert Kaplan and David Norton ”as a performance measurement framework that added strategic, non-financial performance measures to traditional financial metrics to give managers and executives a more balanced view of organizational performance”

Balanced scorecards were originally used in the for-profit sector, with organizations defining strategic priorities and then designing measures and key performance indicators to monitor how well those strategies are being executed. More recently, the balanced scorecard has been adopted in the public and nonprofit sector, with leaders using it to define what their organizations are all about and explicitly communicate vision and strategy. The traditional balanced scorecard views an organization from four perspectives. The organization then develops objectives that satisfy each perspective, and collects data for each one. These perspectives are as follows:

The financial perspective: An expert on improving, managing and measuring enterprise performance, Bernard Marr states that this perspective answers questions like “what would you like to deliver in terms of profits? Where would you like to grow your revenues? What sort of value would you like to return to shareholders? And to what level do costs need to be cut.”. In the public and nonprofit sectors, the focus is often on balancing revenue with expenses.

The internal business process perspective: Also referred to as operational priorities, this perspective shows “how well a business is running, and whether [these processes result in] products and services that conform to customer requirements”).

The customer perspective: It is important to deliver to your customers. From this perspective, an organization would consider objectives such as increasing satisfaction with products and services delivered, or improving public perceptions of the organization.

The learning & growth perspective: Includes employee learning and corporate cultural attitudes and leadership. Objectives from this perspective would attempt to maximize both individual and corporate improvement.

Unit 5

BLUE OCEAN STRATEGY

Blue Ocean Strategy: Blue ocean strategy is the simultaneous pursuit of differentiation and low cost to open up a new market space and create new demand. It is about creating and capturing uncontested market space, thereby making the competition irrelevant.

Definition: 'Blue Ocean Strategy is referred to a market for a product where there is no competition or very less competition. A blue ocean exists when there is potential for higher profits, as there is now competition or irrelevant competition.

Red Ocean Strategy: A red ocean strategy involves competing in industries that are currently in existence. This often requires overcoming an intense level of competition and can often involve the commoditization of the industry where companies are competing mainly on price. For this strategy, the key goals are to beat the competition and exploit existing demand.

Difference between blue & red ocean strategies

Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevent
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation ***or*** low cost	Align the whole system of a firm's activities in pursuit of differentiation ***and*** low cost

Four Action framework:

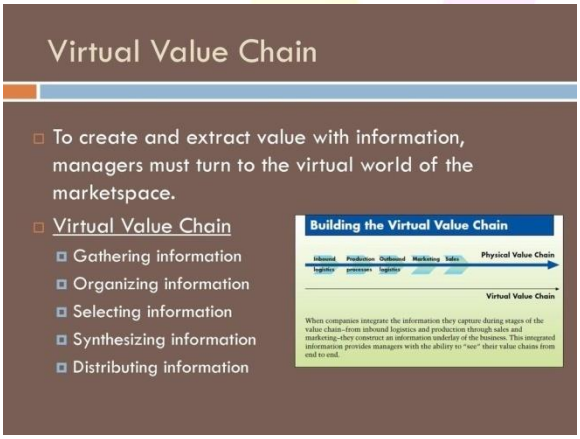
Four actions stands for Eliminate-Reduce-Raise-Create .The Eliminate-Reduce-Raise-Create (ERRC) Grid developed by W. Chan Kim and Renée Mauborgne is a simple matrix like tool that drives companies to focus simultaneously on eliminating and reducing, as well as raising and creating while unlocking a new blue ocean.

Eliminate	Raise
Which factors that the industry has long competed on should be eliminated ?	Which factors should be raised well above the industry's standard?
Reduce	**Create**
Which factors should be reduced well below the industry's standard?	Which factors should be created that the industry has never offered?

E-Commerce Business Models

Traditional	Digital
Includes… • ***Print media*** *(newspaper and magazine ads, newsletters, brochures and other printed material)* • ***Broadcast media*** *(such as TV and radio ads)* • ***Direct mail*** *(including fliers, post cards, catalogs)* • ***Telemarketing***	Includes marketing efforts anchored on electronic devices such as-- • ***Websites*** • ***Social networking sites*** • ***Content marketing*** • ***Banner ads*** • ***Google ads*** • ***Video marketing***
• Proven techniques with high success rate • Long-standing initiatives that the public already understands • Metrics for measuring success	• Cost-efficient methods of marketing • Unprecedented audience reach • Allows direct response from intended audience

Virtual Value Chain.



The Virtual Value Chain works like a business model and describes the dissemination of value generating services within an "Extended Enterprise"; an organization that cooperates closely with other organizations to provide services or products. The virtual value chain begins with the information provided by the provider. Then this information is distributed and supported

throughout the information-infrastructure whereupon the real interaction with the customer/end user follows.

Five elements

In the Virtual Value Chain the information in the abstract market space is applied in a series of steps. Creating knowledge and adding value comprise five elements: gathering, organization, selection, analysis and distribution. These five elements enable organizations to generate new markets and build up new business relationships. The entire process turns raw data into valuable information.

Network management

New technological developments in IT can lead to drastic changes in the ways organizations operate. Important business is managed by IT and value adding within the virtual value chain can only be achieved by using IT. In order to implement this properly, Mary Cronin distinguishes three important elements within the virtual value chain:

1. Input from the supplier

All information about and from the supplier will make an important contribution to value adding.

2. Internal operations

Information about effective procurement is of inestimable value for a business. Global distribution of information saves costs.

3. Customer Relations Management (CRM)

Directly adding information in the CRM about the customer's needs as a value will help improve the product or service immediately.

Threats to sustainability: All businesses must make money. But triple bottom line companies realize that they can do more. This idea has only recently gained traction in the corporate world, but now that it has, the triple bottom line is driving the decision-making of the world's top brands.

Triple bottom line

All businesses must make money. But triple bottom line companies realize that they can do more. This idea has only recently gained traction in the corporate world, but now that it has, the triple bottom line is driving the decision-making of the world's top brands

People: the positive and negative impact an organization has on its most important stakeholders. These include employees, families, customers, suppliers, communities, and any other person influencing or being affected by the organization.

Planet: the positive and negative impact an organization has on its natural environment. This includes reducing its carbon footprint, usage of natural resources, toxic materials and so on, but also the active removal of waste, reforestation and restoration of natural harm done.

Profit: the positive and negative impact an organization has on the local, national and international economy. This includes creating employment, generating innovation, paying taxes, wealth creation and any other economic impact an organization has.

In the interpretation of these three, there is clearly most confusion about the third: profit. Mostly this is interpreted in the traditional sense, meaning the financial profit a company makes. But this interpretation is too limited and wrong for two reasons. First, it focuses on the financial aspect only. As the quotes above clearly illustrate, though, economic impact is a much wider idea than just financial impact. Second, it focuses on profit for the organization only. The original focus, though was on societal impact— and thus societal profit. Source online google.com and various research books and online sources.

1.STRATEGIC MANAGEMENT, G. Sudarsana Reddy, K. Aswathappa,Himalaya Publication house First Edition : 2015

2. Francis Cherunilam, Strategic Management ,Himalaya Publishing House , “Ramdoot”, Dr. Bhalerao Marg, Girgaon, Mumbai - 400 004.