

# Strategic Management Simplified

[*Let's Make SM Easy*]

**CA Intermediate (New Course)**

12<sup>th</sup> EDITION

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## Strategic Management: *Simplified*, 12e

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12<sup>th</sup> Edition 2023-24

Published by **Prathama Trivedi** for Carvinowledge Press

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Dedicated to

My Grandfather  
Late: Shree Ram Pyar Tiwary

My Father  
Dr. Deep Narayan Tiwary

My Dear  
Teachers and Students

# Preface

Welcome to this new edition of '*Strategic Management: Simplified*', 12<sup>th</sup> Edition! As an author, I am sensitive to your learning needs. I believe that presentation is an effective tool that determines the success of an author. For this very reason, I have taken your point of view into consideration. In writing each chapter, I have taken every care to make the content informative as well as easy and interesting to read.

This course can have a major impact on your career direction and future success. It provides the comprehensive knowledge of strategic management that would help you to utilize your talent in the dynamic 21<sup>st</sup> century business world.

The aim of '*Strategic Management: Simplified*' is to help CA Intermediate (New Course) students by clearly explaining, analyzing, and evaluating important strategy concepts. My approach in writing this book was essentially twofold: to write an accessible textbook that students feel comfortable with but without compromising on the academic rigour.

The case-studies, herein, have been taken from contemporary world and leading brands around us. These help to bridge the gap between theory to practice; aiming not only at a comprehensive learning experience but also offering an interesting reading. To supplement this, I have tried to adopt a user-friendly writing style that gives clear and concise explanations to help students engage readily with the content and grasp complex strategic concepts easily.

The book '*Strategic Management: Simplified*' has been divided into Five chapters. The chapter organization provides a student-friendly approach to the study of strategic management. Structure of this book has been shown in this diagram.



I would be happy to get your feedback, comments and queries. You can get in touch with me at [om.trivedi@gmail.com](mailto:om.trivedi@gmail.com), [www.facebook.com/strategyclasses](https://www.facebook.com/strategyclasses) or call me at 9953922272 (between 8 pm – 10 pm).

Good luck for a challenging and successful learning experience!

# The need to understand strategy as a subject

**“Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to win”**

The world keeps changing. It always has and always will. This is the fundamental value of strategic management, for the use of strategic planning is to make *decisions now* so as to guide an organization's *future directions*.

The basic challenge for any company (or, for that matter, for any living thing) is survival. And to survive over the long term, a company must have two strategic capabilities:

- the ability to prosper and
- the ability to change

What is most surprising is the amount of change going on around us! And we notice, at the same time, how some organisations change very little.

**Darwinism says:**

**“Struggle for existence, survival of the fittest and origin of new species”.**

**“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”**

Over any time period, say one, five, ten years, in any geographic region thousands upon thousands of new organisations are set up, and within the same time frame many thousands are dissolved, mostly small ones but sometimes very large ones too. Some organisations go on for a very long time. For instance, the *Tata Group* established by *Dorabji Tata* has been flourishing since 1907 whereas few commercial organisations have survived for more than a century. On an average, however, the lifespan of commercial organisations in our country is about 50 years.

Over the years, surviving organisations change their structures as well as the composition of their activities. As they do so they either threaten or create opportunities for others. Whole new industries appear as new technologies are developed, creating niches of new activities for both new and old organisations, while other industries disappear.

Many organisations reduce their workforce in downsizing, delaying activities. Many relocate their activities from one country to another. Some focus on one locality while others operate globally. From time to time, there are major changes in how organisations are governed. There are private and public, commercial and charitable, governmental and industrial organisations all interacting with each other in many different ways.

Strategic Management is all about identification and description of the strategies that managers can implement so as to achieve better performance and a competitive advantage for their organization. Competitive advantage allows a firm to gain an edge over rivals when competing. It is a set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition. In other words, an organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

**“If you don't have a competitive advantage, don't compete”**

The manager must have a thorough knowledge and he must analyze the general and competitive organizational environment so as to take right decisions at the right time. They should conduct a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats), i.e., they should make best possible utilization of strengths, minimize the organizational weaknesses, make use of opportunities arising from the business environment and shouldn't ignore the threats.

**Prof. Om Trivedi**

## Visual Walkthrough

## Chapter Outline

Every chapter contains a chapter outline that provides an overview of the chapter with important topics covered.

## Syllabi Mapping

**PAPER 6B: STRATEGIC MANAGEMENT (50 MARKS)**

**Objectives:**  
To develop an understanding of strategic management concepts and techniques and acquire the ability to apply the same in business situations.

### Contents:

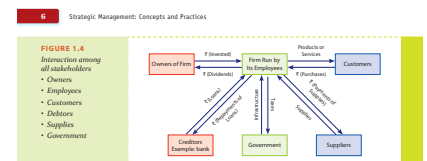
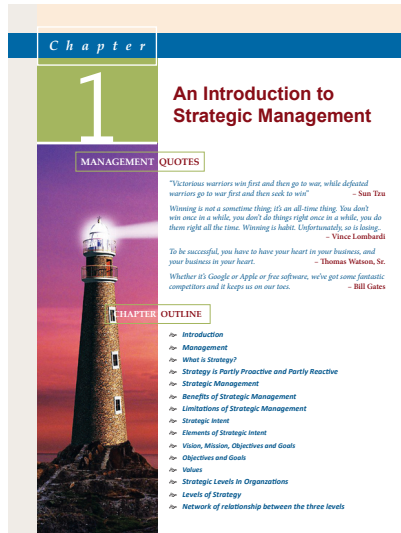
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| (e) Strategic Control.   |           |
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## Flow Diagrams

Flow diagrams have been used at relevant places to depict the concept in simulated manner. The purpose is to provide visualization of the theoretical concept or some phenomenon.

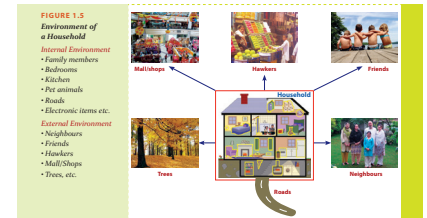
## Syllabi Mapping

The text has been mapped with the latest CA Intermediate (New Course) syllabus issued by the ICAI.



## What is Environment?

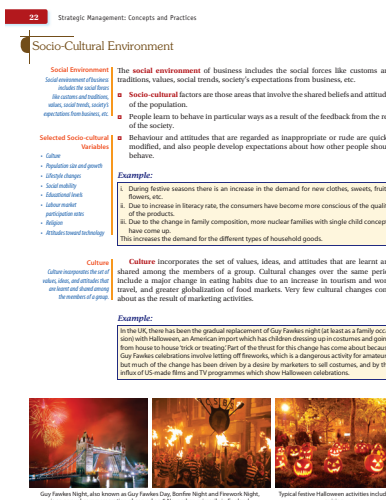
Our Environment is our surroundings. This includes living and non-living things around us. The non-living components of environment are land, water and air. The living components are germs, plants, animals and people. It is also defined as the culture that an individual lives in, and the people and institutions with whom they interact.



## Annotation

These are the shortest way to explain  
the meaning of particular concept.

Margin notes, along with the text provide material that is complementary to the matter contained in the text.



## Examples

Each chapter includes examples illustrating the concepts you need to know and the techniques you need to learn.

# Visual Walkthrough

## DID YOU KNOW?

**Apple** is a company that once knew the one product they offered was inferior to their competitor's (IBM) product. In production cost, competitive price, quality, and many other aspects they fell short. In 1997, during a span of about three months, they managed to lose over \$6.5 million. In a ten-year period, they lost 17% of their 15% market share. This company was a sinking ship. They knew drastic strategies had to be devised if they were going to have even a slim chance of survival. After an assessment of strengths and weaknesses, they went to work devising a strategy plan.

In 2001, their stock was selling for less than \$10 a share. In 2009, it had grown by 70%. Today, it will cost around \$330 for a share of Apple's stock. Steve Jobs knew they couldn't compete in the computer arena with IBM, so he acted quick and developed a plan, and focused on their core resources. Apple is an excellent turnaround strategy example. The execution and follow through of their plan succeeded in turning their declining company into a profitable and growing one.



## Divestment Strategy

**Divestment Strategy** involves the sale or liquidation of a portion of business, or a major division, profit center or SBU. Divestment is a part of rehabilitation or restructuring plan, and is adopted when a turnaround has been attempted but has proved to be unsuccessful.

Divestment Strategy may be adopted due the following reasons:

- Acquired business proves to be a mismatch and cannot be integrated within the Company.
- Negative cash flows from a particular business create financial problems for the whole Company.
- Inability to cope with the prevailing severe/ intense competition.
- Inability to invest in the technological upgradation required to survive in business.
- Availability of a better alternative for investment.

## Liquidation Strategy

**Liquidation Strategy** involves closing down a firm and selling off all its assets and paying off its liabilities. It is the extreme strategy, and is considered as the last resort, i.e. when turnaround and divestment will not be successful.

Liquidation strategy has following effects:

- Loss of employment for workers.
  - Termination of opportunities, if the business has other activities/ventures.
  - Stigma of failure.
- While selling off its assets, buyers may be difficult to find. The firm cannot get adequate compensation and may have to make 'distress sale' and thus away prices.

## Did You Know Box

Here, we tried to introduce some industry and real life aspects of strategic management. This box has also been created keeping in mind CA IPCC questions, being asked in the examinations.

## Situational Analysis

### Situational Analysis

This is a current-state picture, which shows a realistic picture of the organization and analyzing major environmental factors external to the organization and matching them with its own capabilities.

Today most business enterprises engage in strategic planning, although the degrees of sophistication and formality vary considerably. Conceptually, strategic planning might seem very simple. It is to:

- Analyze the current and expected future situation, and
- Determine the direction of the firm and develop means for achieving the mission.

In reality, this is an extremely complex process, which demands a systematic approach for identifying and analyzing macro-environmental factors external to the organization and matching them with the firm's capabilities.

- A firm's macro environment includes all relevant factors and influences outside the company's boundaries.
- If relevant, we mean important enough to have a bearing on the decisions the company ultimately makes about its direction, objectives, strategy, and business model.
- For the most part, influences coming from the outer ring of the macro environment have a low impact on a company's business situation and shape only the edges of the company's direction and strategy.
- The factors and forces in a company's macro environment having the biggest strategy-shaping impact almost always pertain to the company's immediate industry and competitive environment.



## AUTHOR'S NOTES

**Important factors to be taken into account while doing a situation analysis:**

- I. Product situation:** What is your current product? You may want to break this definition into parts such as the core product and any secondary or supporting services or products that also make up what you sell. It is important to elaborate this in terms of different parts in order to be able to relate this back to the core client needs.
- II. Competitive situation:** Analyze your main competitors: who are they? What are they up to? How do they compete? What are their competitive advantages?
- III. Distribution situation:** Review your distribution

**Situation - how are you getting your product to the market? Do you need to go through distributors or other intermediaries?**

**IV. Environmental factors:** What are the external and internal environmental factors that need to be taken into account? This can include economic or sociological factors that impact your performance.

**V. Opportunity and issue analysis:** Things to write down here are: what are the current opportunities available in the market, the main threats that business is facing and may face in the future, the strengths that the business has only on and any weaknesses that may affect the business performance?

## Check Your Progress

### 1. State with reasons which of the following statements is correct or incorrect.

- "Industry is a grouping of dissimilar firms." (May 2002)  
**Answer:** Please refer to page  
**Incorrect:** Industry is a collection of firms whose products or services have homogeneous attributes or are close substitutes such that they compete for the same buyers. For example, all paper manufacturers constitute the paper industry.
- The purpose of SWOT analysis is to rank opportunities. (May 2002)  
**Answer:** Please refer to page  
**Incorrect:** SWOT analysis stands for the analysis of strengths, weaknesses opportunities, and threats. It is not used for ranking of organizations. It is a tool for organizational and environmental appraisal necessary for formulating effective strategies.
- PEC is an S-shaped curve. (May 2002)  
**Answer:** Please refer to page  
**True:** PEC is a S-shaped curve showing graphical representation of sales over time that passes through four stages that is, introduction, growth, maturity and decline phase. Identification of PEC stages of any products or service is very helpful in marketing management.
- The process of strategy avoids matching potential of the organization with the environment opportunities. (May 2002)  
**Answer:** Please refer to page  
**Incorrect:** In the process of strategic management an organization continuously scan its relevant environment to identify various opportunities and threats. Organizations keen to grow and expand often look for promising opportunities that match their potential. Such opportunities become a good stepping stone for achieving the goals of the organization.
- Strategies provide an integrated framework for the top management. (May 2002)  
**Answer:** Please refer to page  
**Correct:** Strategies provide a framework for management to negotiate its way through a complex and turbulent external environment. They provide a systematic basis for the enterprise to stand its ground in the face of challenge and change as also to quickly adjust to them.
- Portfolio analysis helps the strategists in identifying and evaluating various businesses of a company. (May 2002)  
**Answer:** Please refer to page

### 2. Fill in the blanks in the following statements with the most appropriate word:

- Strategic analysis largely involves making subjective \_\_\_\_\_ based on objective information.
  - A business \_\_\_\_\_ is a collection of businesses and products that make up the company.
  - The ADL Matrix by Arthur D. Little is a Portfolio Management technique that is based on the \_\_\_\_\_.
  - An opportunity is a favourable condition in the organization's \_\_\_\_\_ which enables it to strengthen its position.
  - A business portfolio is a \_\_\_\_\_ of businesses and products that make up the company.
  - Experience curve shows the relationship between \_\_\_\_\_ cost and cumulative production quantity.
  - The Ansoff Growth matrix is a tool that helps businesses decide their product and \_\_\_\_\_ strategy.
- Answer:**
- (a) decisions; (b) portfolio; (c) Product Life Cycle (PLC); (d) environment; (e) collection; (f) production; (g) market growth

## Check Your Progress

It has been given in the form of 'Check Your Progress'. This will help the CA Intermediate students in learning the recalling progress and serves as ready reference to the previous years' examination questions.

## Glossary

A complete glossary of strategic management concepts has been provided in the book for quick recap of the important topics discussed throughout.

## GLOSSARY

- A. Area Structure:** An organizational form that divides and organizes the firm's activities according to where operations take place on location (also known as *place structure*, *geographic division*).
- Backward Integration:** A strategy that moves the firm upstream into an activity formerly conducted by a supplier (see *vertical integration*).
- Barriers to Entry:** Economic forces that slow down or prevent entry into an industry.
- Benchmarking:** A firm's process of matching, identifying, and using ideas, techniques, and improvements of other companies in its own activities.
- Boundary Span Organization:** An organization design in which people can easily share information, resources, and skills across departments and divisions.
- Business Innovation:** The gradual process by which information flow becomes readily shared within the firm.
- Business Managers:** People in charge of managing and operating a single line of business.
- Business Strategy:** Plans and actions that firms devise to compete in a given product/market scope or setting; addresses the question: "How do we compete within an industry?"
- Business Systems:** The value of value chain activities that a firm actually performs.
- C. Centralization:** The degree to which senior managers have the authority to make decisions for the entire organization.
- Channel:** A complex arrangement in which *Kanban firms* (often *channel members*) share risk and share other interrelated activities to maintain a web of companies.
- Collaboration:** Cooperative behavior between parties that is often short-term or limited in scope. Collaboration is actually another form of cooperation, but with a different perspective on how and when to work.
- Competing on Time:** Spending on the time needed to innovate new products and get them to market faster than competitors.
- Competitive Advantage:** A firm's ability to get an edge over its rivals when competing. Competitive advantage comes from a firm's ability to perform activities more efficiently or more effectively than its rivals.
- Competitive Environment:** The immediate economic factors: customers, competitors, suppliers, buyers, and potential entrants of a firm's industry to a firm in a given industry (also known as *industry environment*).
- Computer Intelligence Gateway:** Systems specifically tailored to maintain a web of companies.
- Concentration:** Cooperative behavior between parties that is often short-term or limited in scope. Collaboration is actually another form of cooperation, but with a different perspective on how and when to work.
- Convergence:** The reduction of a firm's wide-ranging, separate diversification by dividing the scope of activities it performs.
- Downstream Activities:** Economic activities that occur close to the customer but far away from the raw material sources. Examples include national logistics, distribution, marketing, sales and services (see also *upstream activities*).
- E. e-Business:** The use of Internet-based technologies to transform how a business interacts with its customers and suppliers.
- Economies of Scale:** The decline in per-unit cost of production or any activity as volume grows.
- Empowerment:** Delegation of decision-making authority and responsibility to those people most directly involved with a given project or task.
- Environment:** All external forces, factors, or conditions that exert some degree of impact on the strategies, decisions, and actions taken by the firm.
- Environmental Scanning:** The gathering of information about

# Syllabi Mapping

## PAPER 6B: STRATEGIC MANAGEMENT (50 MARKS)

### Objectives:

To develop an understanding of strategic management concepts and techniques and acquire the ability to apply the same in business situations.

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# Acknowledgements

It is always difficult to express gratitude and sentiments in words; it can only be felt. In all humility, I am grateful to a large number of students and professors who contributed in my development in more than one ways. My sincere gratitude to my Guru and great visionary Professor (Dr.) Prashant Mishra (IIMC), who has always boosted my morale.

*Understanding Strategic Management: Simplified Module* has benefited from an extensive development process. Over 30 faculty reviewers, students and industry professionals provided feedback about the accuracy and relevance of the content as well as suggestions for its improvements. They provided us with a detailed and critical analysis of each chapter throughout the development of the book. We do acknowledge that their feedback was invaluable in our attempt at creating the best possible book on strategic management. We would like to thank the following for their time and commitment:

|   |   |  |
|---|---|--|
| <b>Professor (Dr.) Prashant Mishra</b><br>Indian Institute of Management<br>Calcutta, Kolkata   | <b>Professor (Dr.) B.P. Singh</b><br>T.M. Bhagalpur University<br>Bhagalpur | <b>Professor (Dr.) Arvind K. Mishra</b><br>JNU, New Delhi        |
| <b>Professor (Dr.) Dhanesh Khatri</b><br>Head, Department of Finance<br>Institute of Management Studies<br>BJS Rampuria Jain College, Bikaner | <b>CS Amit Rajpurohit</b><br>Chartered Accountant<br>Mumbai                 | <b>CA Parimal Jha</b><br>Partner - Chaturvedi and Shah<br>Mumbai |

## Student Reviewers

We took the help of many students who class-tested the manuscript, evaluated it for clarity, and assessed each feature. Their comments helped us expand the book's content, improved the pedagogical features, and strengthened the assessment features. We are thankful to the following:

|                      |                       |                       |                         |
|----------------------|-----------------------|-----------------------|-------------------------|
| <b>Sachin Goyal</b>  | <b>Mayank Malik</b>   | <b>Akshay Garg</b>    | <b>Kuldeep Rawat</b>    |
| <b>Ankit Jain</b>    | <b>Sanchit</b>        | <b>Tanya Bansal</b>   | <b>Chirag Jain</b>      |
| <b>Paras Bansal</b>  | <b>Sushant Arora</b>  | <b>Kshitiz Tayal</b>  | <b>Neelaish Jaiswal</b> |
| <b>Komal Sanwal</b>  | <b>Ashutosh Kumar</b> | <b>Aryan Meratwal</b> | <b>Kaushal Arora</b>    |
| <b>Mayuri Pramod</b> | <b>Sonu Agarwal</b>   | <b>Nitesh Lahu</b>    | <b>Rajshree Goyanka</b> |

I am grateful to my esteemed colleagues, friends and students who have contributed to this book by advising me and by giving constructive feedback. This book would not have taken its present shape without the continuous support and encouragement from the editorial and production team of Carvinowledge Press and it has been a real pleasure working in coordination with their extremely professional set up. In particular, I would like to thank Ravi S Trivedi, Acquisitions Editor. I have immensely benefitted from referring to several books and publications. Thus, I owe an enormous intellectual debt to all authors, publications, publishers and institutions whose work I have drawn upon in developing this textbook.

I express my sincere gratitude to the Institute of Chartered Accountants of India for granting permission to use the past examination questions and Revision Test Paper (RTP) Questions.

I would like to thank my entire family, my parents, my brother and my wife, Eesha for their unflagging support. Last but not the least, I am always thankful to the almighty God for choosing me to disseminate this knowledge.

Valuable suggestions and constructive feedback from learners is welcome and would be acknowledged. I can be reached at [om.trivedi@ymail.com](mailto:om.trivedi@ymail.com),

**Prof. Om Trivedi**

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# 1

## An Introduction to Strategic Management

### MANAGEMENT QUOTES

*“Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to win”*  
– Sun Tzu

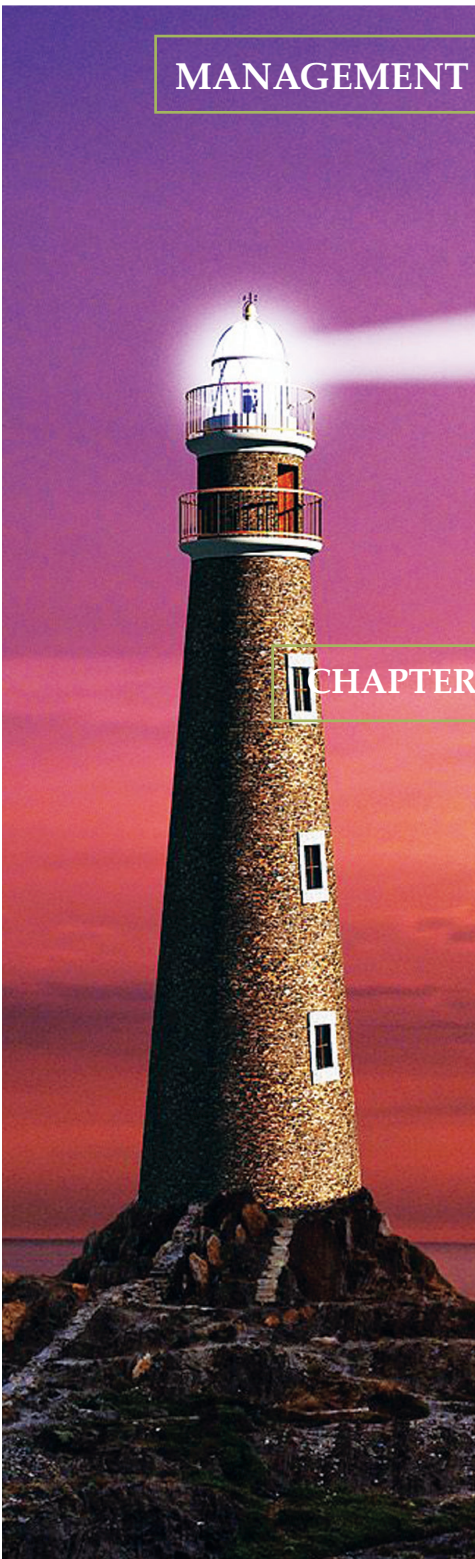
*Winning is not a sometime thing; it's an all-time thing. You don't win once in a while, you don't do things right once in a while, you do them right all the time. Winning is habit. Unfortunately, so is losing..*  
– Vince Lombardi

*To be successful, you have to have your heart in your business, and your business in your heart.*  
– Thomas Watson, Sr.

*Whether it's Google or Apple or free software, we've got some fantastic competitors and it keeps us on our toes.*  
– Bill Gates

### CHAPTER OUTLINE

- **Introduction**
- **Management**
- **What is Strategy?**
- **Strategy is Partly Proactive and Partly Reactive**
- **Strategic Management**
- **Benefits of Strategic Management**
- **Limitations of Strategic Management**
- **Strategic Intent**
- **Elements of Strategic Intent**
- **Vision, Mission, Objectives and Goals**
- **Objectives and Goals**
- **Values**
- **Strategic Levels In Organizations**
- **Levels of Strategy**
- **Network of relationship between the three levels**



## Introduction

A business is created to provide products or services to customers. If it can conduct its operations effectively, its owners earn a reasonable return on their investment in the firm. In addition, it creates jobs for employees. Thus, businesses can be beneficial to society in various ways.

A business (or firm) is **an enterprise that provides products or services desired by customers**. Along with the large, well-known businesses such as the **Coca-Cola Company and IBM**, there are many thousands small businesses that provide employment opportunities and produce products or services that satisfy customers. Over any time period, say one, five, ten years, in any geographic region thousands upon thousands of new organisations are set up, and within the same time frame many thousands are dissolved, mostly small ones but sometimes very large ones too. An analysis says that approximately,

**5,00,00,000 new firms are born every year across the globe or about 1,37,000 per day. And, similar number of firms are close as birth and death rates are about equal, the same number of active firms, say 1,30,000 probably terminate trading each day, worldwide.**

Some organisations go on for a very long time. For instance, the **Tata Group established by Dorabji Tata** has been **flourishing since 1907** whereas few commercial organisations have survived for more than a century. On an average, however, the **lifespan of commercial organisations in our country is about 50 years**

Over the years, surviving organisations change their structures as well as the composition of their activities. As they do so they either threaten or create opportunities for others. Whole **new industries appear as new technologies are developed**, creating niches of new activities for both new and old organisations, while other industries disappear.

### Important decisions that need to be made in a business

- i. Is it worthwhile to **create the business**?
- ii. What **resources** does the business need to provide its services?
- iii. What types of **stakeholders** must the business attempt to satisfy?
- iv. What are the **key functions** that are supposed to be performed to **manage the business**?

## Management

Management is a field of study and profession which pertains to management principles, techniques, functions, etc. Here, we find a team or class of people (Individual) or may be a group of persons who perform managerial activities. It is a process of managerial activities-**planning, organizing, staffing, directing, controlling**.

**Management is both art and science.** It is the **art of making people more effective** than they would have been without you. The **science is in how you do that**.

### Firm

*A firm (or business) is an enterprise that provides products or services desired by customers*



### Management

*Management is both art and science. It is the art of making people more effective than they would have been without you. The science is in how you do that.*





### Example

Four workers can make 6 units in an eight-hour shift without a manager. If I hire Mr. Madan to manage them and they still make 6 units a day, what is the benefit to my business of having hired Mr. Madan? On the other hand, if they now make 8 units per day, Mr. Madan, the manager, has value.

On the basis of the above example, management can be defined as-

*“the art of getting things done through and with people”.*

### Definitions

*“Art of knowing what you want to do and then seeing that it is done the best and cheapest way”.*

**F.W. Taylor**

*“To Manage is to forecast, to plan, to organise, to command, to coordinate and to control”.*

**- Henry Fayol**

*“Management is a function, a discipline, a task to be done, and managers practise this discipline, carry out the functions and discharge these tasks.”*

**- Peter F. Drucker**

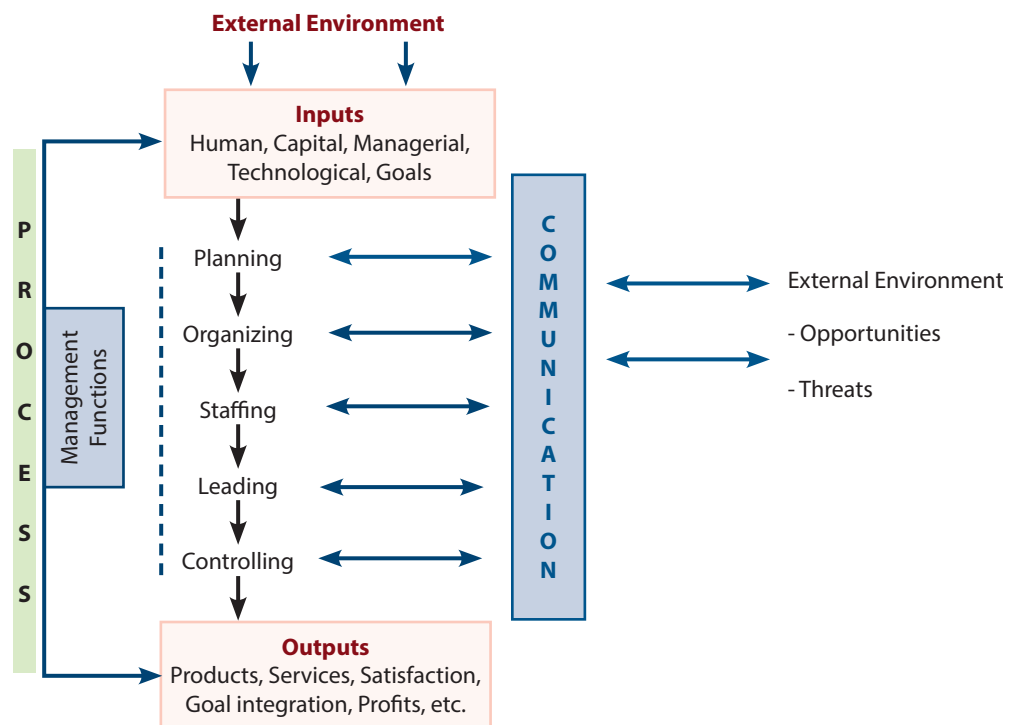
*Management is the process by which managers create, direct, maintain and operate purposive organizations through systematic, coordinated and co-operative human effort.”*

**- Dalton McFarland**

**FIGURE 1.1**

Management Process in an Organization

- Planning
- Organizing
- Staffing
- Leading
- Controlling



**The term 'management' is used in two senses, such as:**

**1. A key group in an organisation in-charge of its affairs**

- ♦ In relation to an organisation, management is the chief organ entrusted with the task of **making it a purposeful and productive entity**, by undertaking the task of bringing together and integrating the disorganised resources of manpower, money, material, and technology, which are then combined into a functioning whole.
- ♦ An organisation becomes a **unified functioning system** when management systematically mobilises and utilises the diverse resources efficiently and effectively.
- ♦ The survival and success of an organisation depends to a large extent on the **competence and character of its management**.
- ♦ Management has to also facilitate organisational **change and adaptation** for effective interaction with the environment.

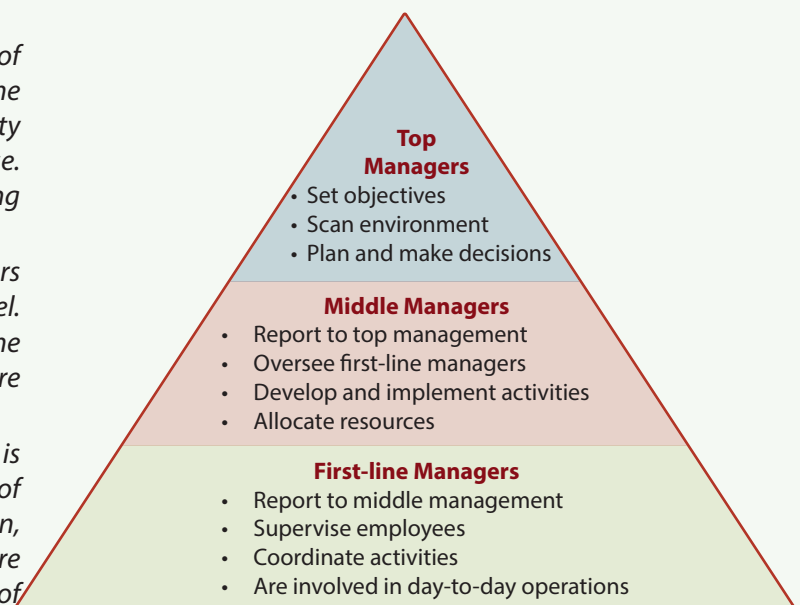
**2. A set of interrelated functions and processes carried out by the management of an organisation:**

- ♦ Functions include **Planning, Organising, Directing, Staffing and Control**.
- ♦ The functions or sub-processes of management are wide-ranging but closely interrelated.
- ♦ They range all the way from determination of the goals, design of the organisation, mobilisation and acquisition of resources, allocation of tasks and resources among the personnel and activity units and installation of control system **to ensure that what is planned is achieved**.
- ♦ Managers formulate organisational goals, values and strategies, to cope with, to adapt and to adjust themselves with the behaviour and changes in the environment.

## DO YOU KNOW?

### Three Levels of Management

- i. Administrative or Top Level:** *It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.*
- ii. Executive or Middle Level:** *The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions.*
- iii. Supervisory or Lower Level:** *Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. They are concerned with direction and controlling function of management.*



## What is Strategy?

### Strategy

*Strategy refers to the ideas, plans and support that firms employ to compete successfully against their rivals.*

In the context of business, the application of the term **'Strategy'** relates to the ways, the business decides to respond to dynamic and often hostile external forces **while pursuing their vision, mission and ultimate objectives.**

The very incorporation of the idea of strategy into business organizations is intended to unravel **complexity and to reduce uncertainty caused by changes in the environment.** Strategy seeks to relate the goals of the organization to the means of achieving them. Strategy is the game plan that the management of a business uses to take market position, conduct its operations, attract and satisfy customers, compete successfully, and achieve organizational objectives.

The term strategy is associated with **unified design and action for achieving major goals, gaining command over the situation with a long-range perspective** and securing a critically advantageous position, its implications for corporate functioning are obvious.

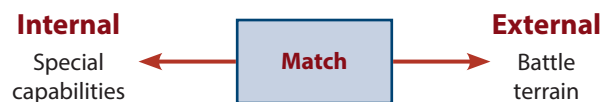
*The concept of strategy helps us know why some organizations succeed and others fail.*

The concept of strategy helps us know why some organizations succeed and others fail. Failure or success of an organization is typically driven by economic factors and strategy explains how to make money. Good strategies make higher profits, and bad ones threaten the firm's existence. Strategy refers to the ideas, plans and support that firms employ to compete successfully against their rivals.

*"Strategy is the overall plan of a firm deploying its resources to establish a favourable position and compete successfully against its rivals. Strategy describes a framework for charting a course of action."*

The concept of strategy has been borrowed from the military and adapted for use in business

**FIGURE 1.2**  
Military Strategy



### Business Strategy

*Business strategy is concerned with how a firm competes.*

- ▣ Business strategy is concerned with *how* a firm competes.
- ▣ Strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by the competitors.

### Definitions

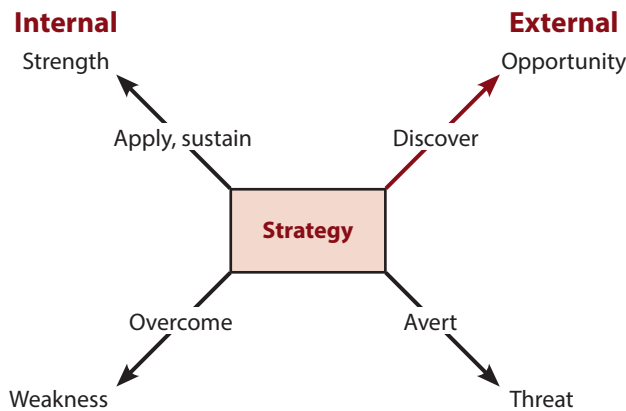
#### Igor H. Ansoff:

*"The common thread among the organization's activities and product-markets that defines the essential nature of business that the organization was or planned to be in future."*

#### William F. Glueck:

*"A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved."*





**FIGURE 1.3**  
*Business Strategy*

- We may define the term ‘strategy’ as a long range blueprint of an organization’s desired image, direction and destination – what it wants to be, what it wants to do and where it wants to go.
- Strategy is the consciously considered and flexibly designed scheme of corporate intent and action to achieve effectiveness, to mobilise resources, to direct effort and behaviour, to handle events and problems, to perceive and utilise opportunities, and to meet challenges and threats to corporate survival and success.
- Strategy is meant to fill in the need of organizations for a sense of dynamic direction, focus and cohesiveness. Objectives and goals are **essential to give a direction to business**, but they do not fill in the need alone
- Strategy provides **an integrated framework for the top management** to search for, evaluate and exploit beneficial opportunities, to perceive and meet potential threats and crisis, to make full use of resources and strengths, and to offset corporate weaknesses.
- Important to note that **strategy is no substitute for sound, alert and responsible management**. It must be recognised that strategy **can never be perfect, flawless and optimal**. It is in the very nature of strategy that it is flexible and pragmatic to take care of sudden emergencies, pressures, and avoid failures and frustrations. In a sound strategy, allowances are made for possible miscalculations and unanticipated events.

*Important to note that strategy is no substitute for sound, alert and responsible management.*

*It must be recognised that strategy can never be perfect, flawless and optimal.*

## Strategy is Partly Proactive and Partly Reactive

A company’s current strategy flows from both **previously initiated actions** and business approaches that are working well enough to merit continuation, **as well as newly initiated managerial decisions and actions** that strengthen the company’s overall position and performance.

Thus, **strategy partly is deliberate and proactive**, standing as the product of management’s analysis and strategic thinking about the company’s situation and its conclusions about how to position the company in the marketplace and tackle the task of competing for buyer’s patronage.

However, not every strategic move is the result of proactive planning and deliberate management design. Things happen that cannot be fully anticipated or planned for. When market and competitive conditions take an unexpected turn, or some

*a company's strategy is always developed as a reasoned response to unforeseen developments in the business environment as well as the situations within the firm*

aspect of a company's strategy hits a stone wall, **some kind of strategic reaction or adjustment is required.**

Hence, partially, a company's strategy is always **developed as a reasoned response to unforeseen developments in the business environment** as well as the situations within the firm.

Strategy helps unravel complexity and reduce uncertainty caused by changes in the environment. It also means to identify existing problems and solving them by executing revolutionary ideas.

## AUTHOR'S NOTES

### Proactive Strategy

- It is an approach where organization takes the initiative or acts as first mover.
- It is an approach to a business situation that involves anticipating market and competition changes in advance of their actual occurrence and making appropriate organizational shifts in response.
- Many high technology business operators need to take a more proactive strategy to deal with the rapidly changing marketplace for their company's products.

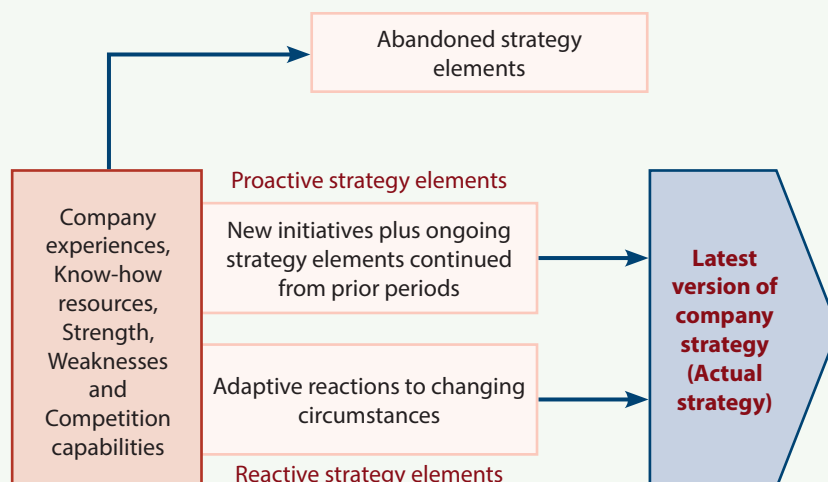
**Example:** Steve Job's initiative to develop smart phones in Apple.

### Reactive Strategy

- It is an approach where organizations react to their competitor's actions.
- It is a slow response to changes in a firm's environment and undertaken only when a management is forced to take rear guard action.

**Example:** Samsung/Sony/Nokia's smart phones developed in reaction to Steve Job's initiative to develop smart phones in Apple.

As shown in Figure , a company's strategy evolves from one version to the next as managers **abandon obsolete or ineffective strategy elements**, settle upon a set of **proactive/intended strategy elements**, and then adapt the strategy as new circumstances unfold, thus giving rise to **reactive/adaptive strategy elements**. A company's strategy thus tends to be a **combination of proactive and reactive elements**. In the process, some strategy elements end up being abandoned because they have become obsolete or ineffective.



**Example:**

**UPI, Unified Payments Interface.** UPI has changed the entire digital payments landscape in India and has now even gone global. A true example of Made in India for the world. It was all because of a well-planned identification of existing problem statement, formulating a strategy putting it to perfect execution.



## Check Your Progress [Scenario Based Question SBQs]

**SBQ 1:** Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been a pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by Yummy Foods taking away the advantage gained by the former.

**Discuss the strategic approach of the two companies. Which is superior?**

### Strategic Management

Strategic management is a process to determine mission, vision, values, goals, objectives, roles and responsibilities, timelines, etc.

Strategic management is a process to determine mission, vision, values, goals, objectives, roles and responsibilities, timelines, etc.

**Strategic management** is an ongoing **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
- ❑ **reassesses** each strategy annually or quarterly 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.,
  - ◆ a new social, financial,
  - ◆ political environment

**Strategic Management can also be defined as:**

*“The identification of the purpose of the organization and the plans and actions to achieve the purpose. It is that set of managerial decisions and actions that determine the long term performance of a business enterprise. It involves formulating and implementing strategies that will help in aligning the organization and its environment to achieve organizational goals.”*

**The overall objective of strategic management is:**

- ❑ To **create competitive advantage**, so that the company can outperform the competitors in order to have dominance over the market.
- ❑ To guide the company successfully through **all changes in the environment**. Finally, the term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing

#### Strategic Management

*Strategic management is a process to determine mission, vision, values, goals, objectives, roles and responsibilities, timelines, etc.*

#### Strategic Management Process

*It is the set of activities that firm managers undertake to put their firms in the best possible position to compete successfully in the marketplace.*

#### Strategic Management

*It refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy and then overtimes initiating whatever corrective adjustments in the vision, objectives, strategy, and execution as are deemed appropriate.*

and executing the strategy and then overtimes initiating whatever corrective adjustments in the vision, objectives, strategy, and execution as are deemed appropriate.

## Benefits of Strategic Management

### Core Competencies

*CCs are the combination of resources, capabilities and their defining characteristics that make a business or an individual stand out from the competition.*

- 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.
- It provides framework for all the **major business decisions** of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organizational structure.
- 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.
- It helps organizations to **avoid costly mistakes** in product market choices or investments.
- It helps organizations to evolve certain **core competencies and competitive advantages** that assist in their fight for survival and growth.
- 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.
- It also adds to the **reputation of the organizations** because of the consistency that results from organizational success.
- It **gives a direction** to the company to move ahead. It defines the goals and mission. It helps management to define realistic objectives and goals which are in line with the vision of the company.
- It helps to enhance the **longevity** of the business. With the state of competition and dynamic environment it may not be possible for organisations to survive in long run. It helps the organization to take a clear stand in the related industry and makes sure that it is not just surviving on luck.

### Competitive Advantage

*CA refers to factors that allow a company to produce goods or services better or cheaper, generate more sales with superior margins compared to its rivals. CA includes cost structure, branding, the quality of product offerings, the distribution network, intellectual property, and customer service.*

## Limitations of Strategic Management

The presence of strategic management cannot counter all hindrances and always achieve success.

- **Environment is highly complex and turbulent:** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans. The environment affects as the organisation has to deal with suppliers, customers, governments and other external factors.

### Examples:



Two-Wheeler Electric Vehicles brands counted on strategic benefits they would have because of the huge push from the government for electric mobility. However, customers are getting reluctant to purchase EVs due to the safety concerns amid the frequent incidents of battery's catching fire. So, strategy cannot overcome a turbulent environment

- ❑ **Strategic management is a time-consuming process:** Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
- ❑ **Strategic management is a costly process:** Strategic management adds a lot of expenses to an organization. expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organisations with limited resources particularly when small and medium organisation create strategies to compete.
- ❑ **Competition analysis is a challenging task:** In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to a firm's strategies.

### Example:

Apple changed the market dynamics of the speaker industry by choosing to remove 3.5mm audio jack from iPhones. Now, to be relevant in the market, all major speaker brands had to put concentrated efforts to develop their own true wireless speakers (TWS) and compete with new entrants.



## Check Your Progress [Scenario Based Questions - SBQs]

**SBQ 2:** Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores were opened in last three years. He believes in managing strategically and enjoyed significant sales of refrigerator, televisions, washing machines, air conditioners and like till four years back. With shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in last four years.

**Analyse the position of Ramesh Sharma considering limitations of strategic management.**

## Strategic Intent

Strategic intent refers to purposes of what the organization strives for Senior managers must define:

- ❑ What they want to do and
- ❑ Why they want to do.

**“Why they want to do” represents strategic intent of the firm.**

Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organization endeavours to achieving. Strategic Management is defined as a dynamic prwocess of formulation, implementation, evaluation, and control of strategies to realise the organization's strategic intent.

- ❑ Strategic intent gives an idea of what the organization desires to attain in future.It answers the question: “what the organization strives or stands for?”
- ❑ A company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective and concentrates its full resources and competitive actions on achieving that objective.
- ❑ Strategic intent is to make quantum gains in competing against key rivals and establish itself as clear-cut winner in the marketplace, often against long odds.

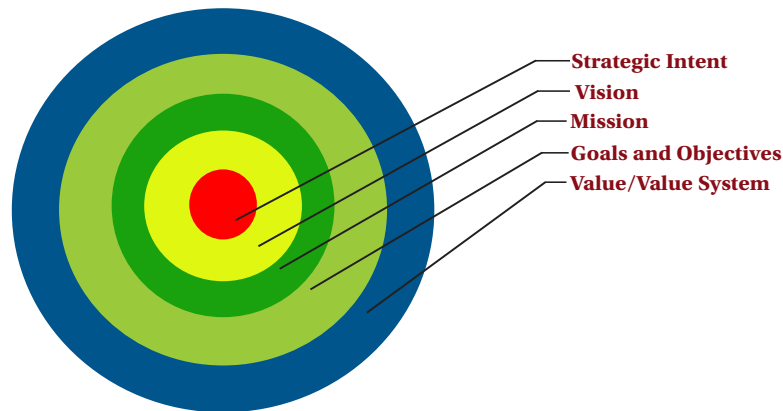
*Strategic intent gives an idea of what the organization desires to attain in future.It answers the question: “what the organization strives or stands for?”*


- Ambitious companies almost invariably begin with strategic intents that are out of proportion to their immediate capabilities and market positions.
- It indicates the long-term market position, which the organization desires to create or occupy and the opportunity for exploring new possibilities.

## Elements of Strategic Intent



**FIGURE 1.4**

*Military Strategy*



| Elements of Strategic Intent          | Definition with Examples   |
|---------------------------------------|--|
| <b>Vision</b>                         | <p>Vision relates to the firm's broadest and most desirable goals. It describes the firm's aspirations of what it really wants to be. Visions are important because they are designed to capture the imagination of the firm's people and galvanize their efforts to achieve a higher purpose, cause or ideal.</p> <p>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 an 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.</p> |
| <b>Mission</b>                        | <p>An organization's mission seeks to answer the question as to why an organization exists. A mission statement can be defined as a way in which the organization communicates the business it is in to the outside world. 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.</p>  |
| <b>Vision and Mission</b>             | <p><b>Tata Sky</b></p> <p><b>Vision:</b></p> <ul style="list-style-type: none"> <li>• To be at every television home.</li> <li>• Empowering every television viewer and revolutionizing home entertainment.</li> </ul> <p><b>Mission:</b></p> <ul style="list-style-type: none"> <li>• Revolutionizing Home entertainment by offering:</li> <li>• Super Digital Versatile Disk</li> <li>• HD Quality Pictures and Sounds</li> </ul>   |
| <b>Relation to present activities</b> | <p><b>Pantaloons</b></p> <p><b>Vision:</b></p> <ul style="list-style-type: none"> <li>• To Deliver everything, everywhere, every time for every Indian consumer in the most profitable manner.</li> </ul>  |



|  |   |
|--|---|
|  | <p><b>Mission:</b></p> <ul style="list-style-type: none"> <li>• It will be trendsetter in delivery formal, creating retail realities, making consumption affordable for all.</li> <li>• It will infuse Indian brands with confidence.</li> <li>• It will be efficient, cost conscious and committed to quality.</li> </ul>  |
| <p><b>Goals and Objectives</b></p>    | <p>Goals and objectives are the results to be achieved within a specific time period. Business organizations translate their vision and mission into objectives.</p> <p><b>Goals:</b> Goals are outcome statements that define what an organization is trying to accomplish, both programmatically and organizationally.</p> <p><b>Objectives:</b> Objectives are very precise, time-based, measurable actions that support the completion of a goal.</p> <ul style="list-style-type: none"> <li>• <b>Short-term objectives:</b> Short-term objectives expect accomplishment in a short period of time. Planners usually define short-term objectives in relation to a long-term objective or objectives. The time frame for a short-term objective relates to its context in the overall time line that it is being applied to</li> </ul> <p><i>Example</i></p> <p>One could measure a short-term objective for a month-long project in days; whereas one might measure a short-term objective for someone's lifetime in months or in years.</p> |
|  | <p><b>Long-term objectives:</b> Long-term objectives represent the results expected from pursuing certain strategies; Strategies represent the actions to be taken to accomplish long-term objectives. To achieve long-term prosperity, strategic planners commonly establish long-term objectives in seven areas:</p> <ul style="list-style-type: none"> <li>• Profitability</li> <li>• Productivity</li> <li>• Competitive Position</li> <li>• Employee Development</li> <li>• Employee Relations</li> <li>• Technological Leadership</li> <li>• Public Responsibility</li> </ul> <p>Short-range objectives can be identical to long-range objectives if an organization is already performing at the targeted long-term level. Example: If a company has an ongoing objective of 15 percent profit growth every year and is currently achieving this objective, then the company's long-range and short-range objectives for increasing profits coincide.</p>  |
| <p><b>Values/ Value System</b></p>  | <p>Values are the deep-rooted principles which guide an organisation's decisions and actions. Collins and Porras succinctly define core values as being <b>inherent and sacrosanct</b>; they can never be compromised, either for convenience or short-term economic gain. <b>Values often reflect the values of the company's founders</b>—Hewlett-Packard's celebrated "HP Way" is an example. They are the source of a company's distinctiveness and must be maintained at all costs.</p>  |

## Vision, Mission, Objectives and Goals

### Strategic Vision

*Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.*



### The Vision

Vision relates to the firm's broadest and most desirable goals. It describes the firm's aspirations of what it really wants to be. Visions are important because they are designed to achieve a higher purpose, cause or ideal. Visions are signed to capture the imagination of the firm's people and galvanize their efforts to achieve a higher purpose, cause or ideal.

#### Examples:

Examples of powerful visions that have changed and redefined entire industries include that of Cable News Network (CNN), now a part of Time Warner. Founded in 1981 by Ted Turner to provide twenty-four hour news coverage, CNN prospered by aggressively pushing forward its new television format that would ultimately become the fastest news source for corporations and even national governments. Even under recently restructured Time Warner, CNN's vision remains to be the best and most reliable news source on any topic, anywhere, anytime. During the First Gulf War of 1990-1991, world leaders including Iraq's Saddam Hussein, reportedly tuned in to CNN to receive the most accurate and up-to-date coverage of Operation Desert Storm.

### Elements of a strategic vision

- i. Coming up with a mission statement that defines what business the company is presently in and conveying the essence of "Who we are and where we are now?"
- ii. Using the mission statement as basis for deciding on a long-term course making choices about "Where we are going?"
- iii. Communicating the strategic vision in clear, exciting terms that arouse organization wide commitment.

### Essentials of a strategic vision

- i. The entrepreneurial challenge in developing a strategic vision is to think creatively about how to prepare a company for the future. Forming a strategic vision is an exercise in intelligent entrepreneurship.
- ii. Many successful organizations need to change direction not in order to survive but in order to maintain their success.
- iii. A well-articulated strategic vision creates enthusiasm for the course that the management has charted and engages members of the organization.
- iv. The best-worded vision statement clearly and crisply illuminate the direction in which organization is headed.

### Mission

An organization's mission seeks to answer the question as to why an organization exists. A mission statement can be defined as a way in which the organization communicates the business it is in to the outside world. Drucker (1995) argues that a mission statement is the same as asking the question: What business are we in? A mission statement needs to appeal to a broad spectrum of stakeholders if all these stakeholders are to accept it.

#### Examples:

The mission at McDonald can be summarized in four letters as originally conceived by the Founder Ray Kroc and his earliest franchisees: QSCV (Quality, Service, Cleanliness and Value). The mission of McDonald's (both at corporate headquarters and in individual restaurants) is to implement each of these four policies to satisfy its customers. High quality food, fast and courteous service, clean restaurants and affordable prices are the guiding pillars that lay the foundation for all of McDonald's Corporation's strategies and organizational practices. By carrying out this simple mission statement, McDonald's can translate its vision into reality.

### Mission Statement

*A company's Mission statement is typically focused on its present business scope – "who we are and what we do"; mission statements broadly describe an organization's present capabilities, customer focus, activities, and business makeup.*





### Examples of Mission Statement

- a. **Bharat Heavy Electricals Ltd. (BHEL):** “To achieve and maintain a leading position as suppliers of quality equipment, systems and services to serve the national and international market in the field of energy. The areas of interest would be the conversion, transmission, utilization and conservation of energy for applications in the power, industrial and transportation fields, to strive for technological excellence and market leadership in these areas”.
- b. **Oil and Natural Gas Commission (ONGC):** “To stimulate, continue and accelerate efforts to develop and maximize the contribution of the energy sector to the economy of the country”.
- c. **Cadbury India:** “To attain leadership position in the confectionery market and achieve a strong national presence in the food drinks sector”.
- d. **Ranbaxy Laboratories:** “To become a research-based international pharmaceutical company”.



**RANBAXY**

### Components of a mission statement.

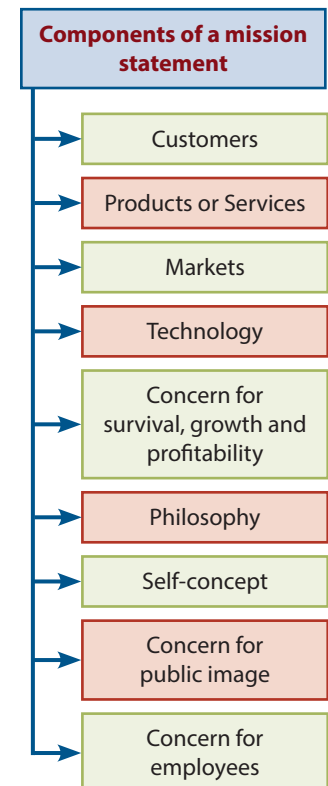
- i. **Customers:** Who are the firm's customers?
- ii. **Products or Services:** What are the firm's major products or services?
- iii. **Markets:** Geographically, where does the firm compete?
- iv. **Technology:** Is the firm technologically current?
- v. **Concern for survival, growth and profitability:** Is the firm committed to growth and financial soundness?
- vi. **Philosophy:** What are the basic beliefs, values, aspirations, and ethical priorities of the firm?
- vii. **Self-concept:** What is the firm's distinctive competence or major competitive advantage?
- viii. **Concern for public image:** Is the firm responsive to social, community and environmental concerns?
- ix. **Concern for employees:** Are the employees a valuable asset of the firm?

### Why an organization should have mission?

- ❑ To ensure **unanimity of purpose** within the organization.
- ❑ To provide a **basis for motivating** the use of the organization's resources.
- ❑ To develop a **basis, or standard**, for allocating organizational resources.
- ❑ To **establish a general tone or organizational climate**, for example, to suggest a businesslike operation.
- ❑ To serve as a **focal point** for those who can identify with the organization's purpose and direction, and to deter those who cannot from participating further in the organization's activities.
- ❑ To **facilitate the translation of objective and goals**, involving the assignment of tasks to responsible elements within the organization, into a work structure.
- ❑ To **specify organizational purposes** and the translation of these purposes into goals in such a way that cost, time, and performance parameters can be assessed and controlled.

### Useful points while writing the mission of a company

- i. One of the roles of a mission statement is to give the organization its **own special identity**, business emphasis and path for development – one that typically sets it apart from other similarly situated companies.
- ii. A company's business is defined by **what needs it tries to satisfy**, by which **customer groups it is targeting** and by the technologies and competencies it



uses and the activities it performs.

- iii. Technology, competencies and activities are important in defining a company's business.
- iv. Good mission statements are **highly personalized – unique** to the organization for which they are developed.

### What is our mission? And what business are we in?

Peter Drucker and Theodore Levitt emphasized that as the first step in the business planning endeavour, every business firm must clarify the corporate mission and define accurately the business the firm is engaged in.

They also explained that towards facilitating this task, the firm should raise and answer certain basic questions concerning its business, such as:

- What is our mission?
- What is our ultimate purpose?
- What do we want to become?
- What kind of growth do we seek?
- What business are we in?
- Do we understand our business correctly and define it accurately in its broadest connotation?
- Whom do we intend to serve?
- What human need do we intend to serve through our offer?
- What brings us to this particular business?
- What would be the nature of this business in the future?
- In what business would we like to be in, in the future?

**The corporate mission is an expression of the growth ambition of the firm.** It is, in fact, the firm's future visualised. It provides a dramatic picture of what the company wants to become. It is the corporation's dream crystallised. It is a colourful sketch of how the firm wants its future to look, irrespective of the current position. In other words, the mission is a grand design of the firm's future.

**Mission amplifies what brings the firm to this business or why it is there,** what existence it seeks and what purpose it seeks to achieve as a business firm. In other words, the mission serves as a justification for the firm's very presence and existence; it legitimises the firm's presence.

**According to Peter Drucker,** every organisation must ask an important question **"What business are we in?"** and get the correct and meaningful answer. The answer should have marketing or external perspective and should not be restated to the production or generic activities of business. The table given below will clarify and highlight the importance of external perspective.

### What business are we in?



LAKMÉ

| Company         | Production-oriented answer            | Marketing-oriented answer                                   |
|-----------------|---------------------------------------|---|
| Indian Oil      | We produce oil and gasoline products. | We provide various types of safe and cost-effective energy. |
| Indian Railways | We run a railroad.                    | We offer a transportation and material-handling system.     |
| Lakme           | In the factory, we make cosmetics.    | In the retail outlet, we sell hope.                         |



## Check Your Progress [Scenario Based Questions - SBQs]

**SBQ 3:** Mr. Raj has been hired as a CEO by XYZ Ltd a FMCG company that has diversified into affordable cosmetics. The company intends to launch Feelgood brand of cosmetics. XYZ wishes to enrich the lives of people with its products that are good for skin and are produced in ecologically beneficial manner using herbal ingredients.

**Draft vision and mission statement that may be formulated by Raj.**

### Objectives and Goals

Goals and Objectives are needed to provide a series of direct, measurable tasks that contribute to the organization's mission. Goals and objectives are the results to be achieved within a specific time period. Business organizations translate their vision and mission into objectives.

#### Objectives and Goals

*Goals and objectives are the results to be achieved within a specific time period.*

***“Objectives are organizations’ performance targets – the results and outcomes it wants to achieve. They function as a yardstick for tracking an organization’s performance and progress.”***

#### Examples:

Achieving a 30 percent market share gain in two years, increasing profitability by 15 percent in three years and developing new product in six months. Goals and Objectives are powerful tools that break down the mission statement into very specific tasks, actions and results throughout the organization. Each part of the organization is likely to have its own set of goals and objectives to accomplish within a specified time period. When put together, all these smaller goals and objectives should bring the organization's mission into final stage.

### Characteristics of Objectives

- ❑ Objective should define the organization's relationship with its environment.
- ❑ They should be facilitative towards achievement of mission and purpose.
- ❑ They should provide the basis for strategic decision-making.
- ❑ They should provide standards for performance appraisal.
- ❑ Objectives should be understandable.
- ❑ Objectives should be concrete and specific.
- ❑ Objectives should be related to a time frame.
- ❑ Objectives should be measurable and controllable.
- ❑ Objectives should be challenging.
- ❑ Objectives should be challenging.
- ❑ Different objectives should correlate with each other.
- ❑ Objectives should be set within constraints.

## Values

*“Business, as I have seen it, places one great demand on you: it needs you to self-impose a framework of ethics, values, fairness and objectivity on yourself at all times.”*  
 - Ratan N Tata, 2006

A few common examples of values are – **Integrity, Trust, Accountability, Humility, Innovation, and Diversity**. But why are values so important? **A company's value sets the tone for how the people of think and behave, especially in situations of dilemma.** It creates a sense of shared purpose to build a strong foundation and focus on longevity of the company's success. Employees prefer to work with employers whose values resonate with them - the ones they can relate to in their daily work and personal life. Interestingly, majority of consumers say that they would prefer to buy products and services from companies that have a purpose that reflects their own value and belief system. Hence, values have both internal as well as external implications.

**FIGURE 1.5**

*Value and  
Strategic Intent*



The above graphic represents the interconnection of **Intent, Vision, Mission, Goals and Values**; Values remain the center/core of Vision, Mission, Goals and putting all of them to action. Vision is followed by Mission, followed by Goals, and finally executing via real actions.

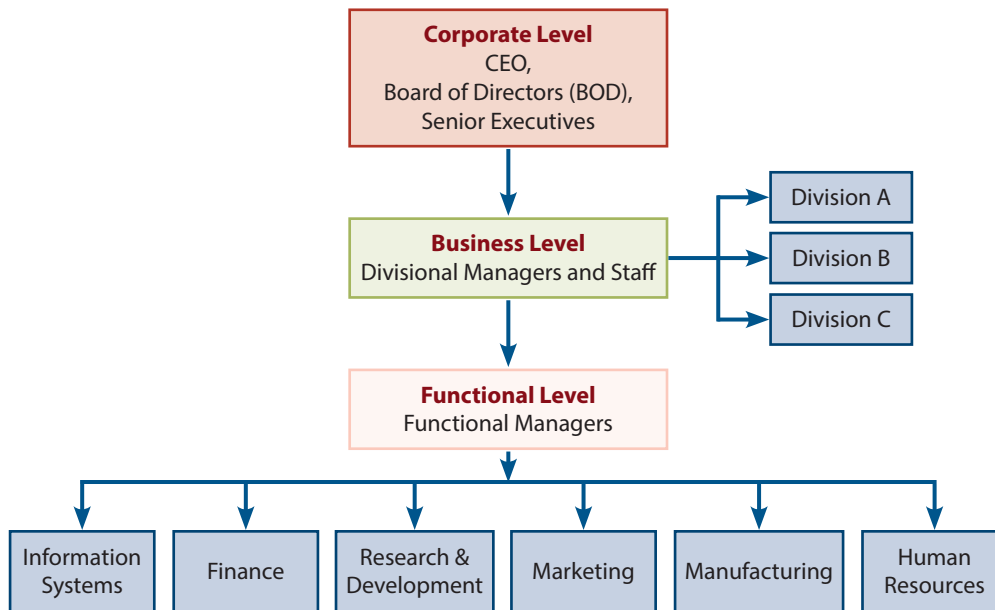


## Strategic Levels In Organizations

A large organization is a multidivisional organization that competes in several different businesses. It has separate self-contained divisions to manage each of these.

There are three main levels of management:

- ❑ Corporate Level
- ❑ Business Level
- ❑ Functional

**FIGURE 1.6***Strategic Levels in the Organization*

### Corporate Level Management

- ❑ The corporate level of management consists of the chief executive officer (CEO), other senior executives, the board of directors, and corporate staff.
- ❑ These individuals are the main decision making body within the organization.

### The role of corporate level of management includes:

- ❑ Defining the corporate vision, mission and goals.
- ❑ Determining what businesses it should be in.
- ❑ Allocating resources among the different businesses.
- ❑ Formulating and implementing strategies that span individual businesses
- ❑ Providing leadership for the organization.

### Business Level Management

- ❑ A business unit may be any **profit centre** that can be **planned independently** from the other business units of the corporation.
- ❑ **The principal general manager** at the business level or the business level manager is the **head of the unit**.
- ❑ At the business unit level, the strategic issues are about both practical coordination of operating units and about developing and sustaining a competitive advantage for the products and services that are produced.
- ❑ Business level managers are concerned with the strategies that are specific to the particular business.

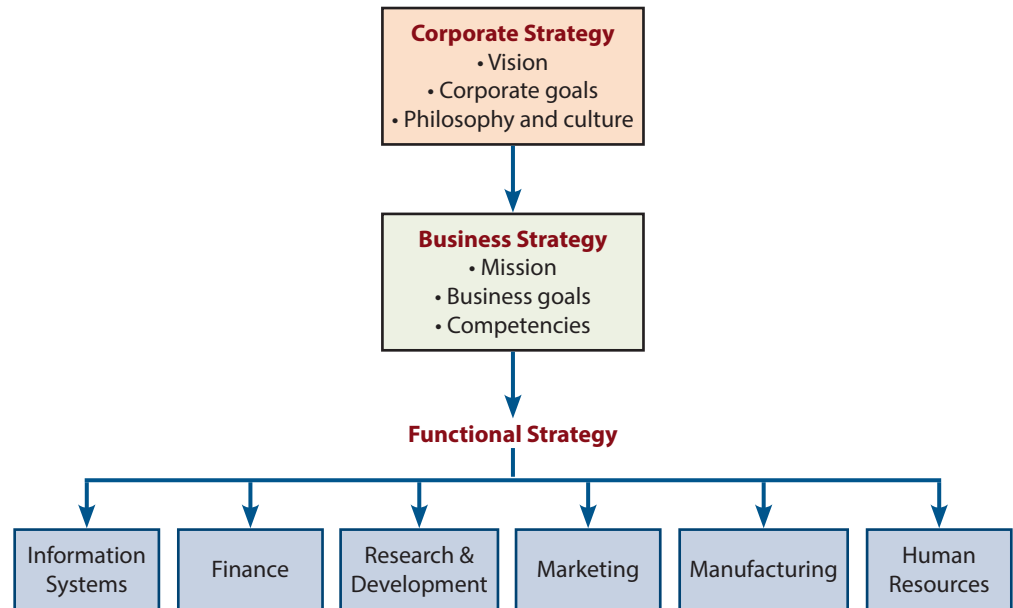
### Functional Level Management

- ❑ The business functions or operations that constitute a company or one of its divisions are known as functional level of management.
- ❑ Specific business functions are marketing, sales, production, finance, human resources, customer service; etc.
- ❑ Decisions at this level within the organization are often described as tactical.

## Levels of Strategy

**FIGURE 1.7**

Three levels of strategy in an organization



### Corporate Strategy

- Corporate level strategy is fundamentally concerned with selection of businesses in which your company should compete.
- Corporate strategy is the growth design of the firm as it spells out the growth objective - the direction, extent, pace and timing of the firm's growth.

### Corporate level strategy is concerned with

- Reach:** Corporate level strategy might include identifying the overall vision, mission, and goals of the corporation, the type of business your corporation should be involved in, and the way in which businesses will be integrated and managed.
- Competitive Contact:** It defines where competition is to be localized in the organization.
- Managing Activities and Business Interrelationships:** Corporate strategy seeks to develop synergies by sharing and coordinating staff and other resources across business units, investing financial resources across business units, and using business units to complement other corporate business activities.

### Business Strategy

*Plans and actions that firms devise to compete in a given product/market scope or setting; addresses the question- "How do we compete within an industry?"*

### Business Strategy

- A strategic business unit may be any profit center that can be planned independently from the other business units of your corporation.
- At the business unit level, the strategic issues are about both practical coordination of operating units and about developing and sustaining a competitive advantage for the products and services that are produced.
- Business strategy refers to the aggregate strategies of any single business firm or a strategic business unit (SBU) in a diversified corporation.



## Functional Strategy

- Functional strategy relates to a single functional operation and the activities involved therein.
- Decisions at this level within the organization are often described as tactical.
- Such decisions are guided and constrained by some overall strategic considerations.
- Functional strategy deals with relatively restricted plan providing objectives for specific function, allocation of resources among different operations within that functional area and coordination among them for optimal contribution to the achievement of the SBU and corporate-level objectives.
- Below the functional-level strategy, there may be operational level strategies as each function may be divided into several sub functions.

## Functional Strategy

*Functional strategy deals with relatively restricted plan providing objectives for specific function, allocation of resources among different operations within that functional area and coordination among them for optimal contribution to the achievement of the SBU and corporate-level objectives.*

### Example:

Marketing strategy, a functional strategy, can be subdivided into promotion, sales, distribution, pricing strategies with each sub function strategy contributing to a functional strategy.

## DO YOU KNOW?

### Which is better - Top-Down Approach or Bottom-Up Approach?

*Do you know the concepts of Top-Down and Bottom-Up approach of decision making?*

*A top-down approach to decision making is when decisions are made solely by leadership at the top i.e., corporate level of management, while the bottom-up approach gives all teams across the levels a voice in decision making. company into a profitable and growing one.*

## Network of relationship between the three levels

The corporate level decides **what the business wants to achieve, while the business level draws ideas and plan to execute the same**, which eventually flow down to functional level to execute and achieve results. But there are multiple ways in which all the **3 levels of management are interlinked**, and interestingly it depends on the organisation as a whole to decide what kind of network of relationship suits their culture and aspirations.

### 3 major types of networks of relationship between the levels

- i. **Functional and Divisional Relationship:** It is an independent relationship, where each **function or a division is run independently** headed by the function/division head, who is a **business level manager**, reporting directly to the business head, who is a corporate level manager. **Functions** may be like Finance, Human Resources, Marketing, etc. while **Divisions** may depend on the products like for a toys manufacturer - kids toys, teenager toys, etc. could be divisions.
- ii. **Horizontal Relationship:** All positions, from top management to staff-level employees, are in the same hierarchical position. It is a flat structure where everyone is considered at same level. This leads to openness and transparency in work culture and focused more on idea sharing and innovation. This type of relationship between levels is more suitable for startups where the need to share ideas with speed is more desirable.

### Horizontal Relationship

*This leads to openness and transparency in work culture and focused more on idea sharing and innovation.*

**In Matrix relationship**

*- there are more than one business level managers for each functional level teams. It is complex for smaller organisations, but extremely useful for large organisations.*

- iii. **Matrix Relationship:** It features a grid-like structure of levels in an organisation, with teams formed with people from various departments that are built for temporary task-based projects. This relationship helps manage huge conglomerates with ease where it is nearly impossible to track and manage every single team independently. In Matrix relationship - there are more than one business level managers for each functional level teams. It is complex for smaller organisations, but extremely useful for large organisations.



## Check Your Progress [Scenario Based Questions - SBQs]

**SBQ 4:** Dharam Singh, the procurement department head of Cyclix, a mountain biking equipment company, was recently promoted to look after sales department along with procurement department. His seniors at the corporate level have always liked his way of leadership and are assured that he would ensure the implementation of policies and strategies to the best of his capacity but have never involved him in decision making for the company.

**Do you think this is the right approach? Validate your answer with logical reasoning around management levels and decision making.**

**SBQ 5:** ABC Limited is in a wide range of businesses which include apparels, lifestyle products, furniture, real estate, and electrical products. The company is looking to hire a suitable Chief Executive Officer. Consider yourself as the HR consultant for ABC limited. You have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer.

**Name the strategic level that this role belongs to and enlist the activities associated with it.**

































# Congratulations!

## The League of Champions



OTC VIRTUALS

|   |   |   |   |  |   |
|---|---|---|---|--|---|
|  |  |  |  |  |  |
| MEENAKSHI   | ROHIT   | SHUBHAM   | ANUSHKA   | CHERRY   | SANDEEV   |
| AIR 20  | AIR 22  | AIR 23  | AIR 36  | AIR 37   | AIR 47  |

|   |                         |           |   |                        |           |
|---|-------------------------|-----------|---|------------------------|-----------|
|    | <b>SATYAM KUMAR</b>     | <b>87</b> |    | <b>SUSHANT ARORA</b>   | <b>83</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|    | <b>BHARAT GAUTAM</b>    | <b>80</b> |    | <b>PRADEEP ROHILLA</b> | <b>79</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|    | <b>ANUSHKA SHARMA</b>   | <b>78</b> |    | <b>KSHITIZ TAYAL</b>   | <b>78</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|    | <b>SAIKAT GHOSH</b>     | <b>77</b> |    | <b>NILESH JAISWAL</b>  | <b>76</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|   | <b>NUZAIF AKTHAR</b>    | <b>76</b> |   | <b>KOMAL SANWAL</b>    | <b>75</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>SHALINI SONI</b>     | <b>75</b> |  | <b>ASHUTOSH KUMAR</b>  | <b>74</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>NANDA CHATURVEDI</b> | <b>74</b> |  | <b>ARYAN MERATWAL</b>  | <b>73</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>DEEPANSHI JAIN</b>   | <b>73</b> |  | <b>KAUSHAL ARORA</b>   | <b>73</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>PREETHAM BHAT</b>    | <b>73</b> |  | <b>SONALI VIJ</b>      | <b>73</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>ANKIT JAIN</b>       | <b>72</b> |  | <b>MAYURI PRAMOD</b>   | <b>72</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>SANCHIT</b>          | <b>72</b> |  | <b>SONU AGRAWAL</b>    | <b>72</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>TANYA BANSAL</b>     | <b>72</b> |  | <b>ANURAG AGGRAWAL</b> | <b>71</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>CHIRAG JAIN</b>      | <b>70</b> |  | <b>NITESH LAHU</b>     | <b>70</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>PARAS BANSAL</b>     | <b>70</b> |  | <b>RAJSHREE</b>        | <b>70</b> |
|   | MARKS                   |           |   | MARKS                  |           |
|  | <b>RAJVI DILIP</b>      | <b>70</b> |  | <b>YASH JAIN</b>       | <b>70</b> |
|   | MARKS                   |           |   | MARKS                  |           |

**2500+ Exemptions**  
**3000+ Above 50 Marks**



**APP**



## Strategic Analysis: External Environment

### MANAGEMENT QUOTES

*The winners in life think constantly in terms of I can, I will, and I am. Losers, on the other hand, concentrate their waking thoughts on what they should have or would have done, or what they can't do.*

– Dennis Waitley

*“The secret of success in battle lies often not so much in the use of one's own strength but in the exploitation of the other side's weaknesses.”*

– John Christopher

*The only limits are, as always, those of vision.*

– James Broughton

*“To succeed, or even just to survive, businesses need to be able to change in ways, and at times, determined by business drivers, not by their IT systems.”*

– Tony Morgan

### CHAPTER OUTLINE

- **Introduction**
- **Strategic Analysis**
- **Issues to be Considered for Strategic Analysis**
- **Framework of Strategic Analysis**
- **Strategy and Business Environment**
- **Components of Business Environment**
- **Product and Industry**
- **Value Chain Analysis**
- **Experience Curve**
- **Porter's Five Forces Model**
- **Key Factors for Competitive Success**
- **Technological Environment**
- **PESTLE Analysis**
- **Internationalization of Business**
- **Competitive landscape**