Lecture Notes

MBPC1010 -STRATEGIC MANAGEMENT

Course Objectives:

1. To learn the major initiatives taken by a company's top management on behalf of corporate, involving resources and performance in business environment.
2. To specify the Organization's mission, vision and objectives and develop policies.
3. To understand the analysis and implementation of strategic management in strategic business units.

Module III: Strategy Implementation and Evaluation: The generic strategic alternatives – Stability, Expansion, Retrenchment and Combination strategies - Business level strategy- Strategy in the Global Environment-Corporate Strategy-Vertical Integration-Diversification and Strategic Alliances - Mergers & Acquisition (Concept) - Strategic analysis and choice – Business Portfolio Analysis – BCG Matrix and GE 9 Cell Model -Mc Kinsey's 7s Framework - Balance Score Card-case study. Designing Strategic Control Systems- Matching structure and control to strategy- Implementing Strategic Change Politics- Power and Conflict-Techniques of strategic evaluation & control-case study, Corporate Social Responsibility.

Module- III

1. Generic Strategic Alternatives

Meaning & Definition

Generic strategic alternatives refer to the fundamental choices a business makes about its overall direction and how it will compete. These strategies are crucial for navigating dynamic business environments, ensuring adaptability amidst changing markets, technologies, and competition.

Definition

According to Michael Porter, “Strategic alternatives are broad approaches to achieving competitive advantage and superior performance.”

- **Competitive advantage** means outperforming rivals by offering something unique or more valuable.
- **Superior performance** refers to achieving better financial results, market share, or other key metrics compared to competitors.

- These strategies serve as a general framework, with specifics varying based on industry and environment.

Types of Strategic Alternatives

1. Stability Strategy

- The firm maintains its current operations and focuses on incremental growth.
- Suitable for industries with stable demand and mature markets.
- **Case Study: Coca-Cola (In-Depth)**
    - Coca-Cola focuses on its core beverage business, ensuring brand consistency and distribution efficiency.
    - Introduces product variations like Coke Zero to capture new market segments.
    - Uses incremental innovation to stay relevant while minimizing risk.

2. Expansion Strategy

- Involves pursuing growth through market penetration, diversification, or acquisitions.
- **Methods of Expansion:**
    - **Market Penetration:** Selling more of existing products to existing customers via advertising, price reductions, or expanded distribution.
    - **Market Development:** Entering new geographic or demographic markets.
    - **Product Development:** Creating new or improved products for existing markets.
    - **Diversification:** Entering new businesses, either related (synergistic) or unrelated.
    - **Acquisitions:** Buying other firms for rapid growth.
- **Case Study: Amazon (In-Depth)**
    - Expanded from an online bookstore to e-commerce, cloud computing (AWS), and AI.
    - AWS became a major revenue driver, illustrating unrelated diversification.
    - Acquired Whole Foods Market to enter the physical grocery market.

3. Retrenchment Strategy

- A defensive strategy to cut losses and improve efficiency by downsizing, divesting, or restructuring.
- **Forms of Retrenchment:**
    - **Turnaround:** Cost-cutting and restructuring to restore profitability.
    - **Divestment:** Selling non-core businesses.
    - **Liquidation:** Closing operations entirely.
- **Case Study: General Motors (GM) (In-Depth)**

- Declared bankruptcy in 2009 and divested brands like Pontiac and Saturn.
- Restructured operations, closed factories, and reduced workforce to regain financial stability.

4. Combination Strategy

- Uses a mix of stability, expansion, and retrenchment to optimize performance.
- **Case Study: Tata Group (In-Depth)**
  - Expanded globally by acquiring Jaguar Land Rover.
  - Simultaneously exited underperforming telecom businesses.
  - Balances growth and efficiency through strategic diversification.

2. Business-Level Strategy & Global Strategy

Definition:

A **Business-Level Strategy** outlines **how a firm competes within a particular industry or market**. It defines the firm's **competitive advantage** and how it seeks to deliver value to customers better than its rivals. The aim is to **gain a sustainable competitive edge** by leveraging internal strengths to respond to external market opportunities and threats.

While **corporate-level strategy** focuses on **what business to be in**, business-level strategy focuses on **how to compete in that business.**

Key Dimensions of Business-Level Strategy

1. **Target Market Scope** – Broad (entire market) vs. Narrow (specific segment)
2. **Source of Competitive Advantage** – Cost advantage or differentiation advantage

Types of Business-Level Strategies

1. Cost Leadership Strategy

Objective: To become the **lowest-cost producer** in the industry.

How it works:

- Focuses on producing goods or services at a **lower cost** than competitors.
- Achieved through **economies of scale**, **efficient operations**, **tight cost control**, and **standardized products**.
- Attracts price-sensitive customers.

Example: Walmart

- Operates with an **efficient global supply chain**.
- Uses **bulk purchasing** and **inventory management technologies**.
- Offers **"Everyday Low Prices"** by keeping operational costs minimal.

Advantages:

- Can withstand price wars.
- High sales volumes due to low prices.

Risks:

- May reduce product quality.
- Technological changes may make cost advantages obsolete.
- Customers may perceive the product as cheap, not just inexpensive.

2. Differentiation Strategy

Objective: To offer **unique products or services** that customers perceive as better or different from competitors.

How it works:

- Emphasizes **innovation, brand image, customer service, design, quality**, or **technology**.
- Targets customers willing to **pay a premium** for differentiated features.

Example: Apple

- Offers high-end, well-designed, user-friendly products.
- Focus on **product innovation** and **brand loyalty**.
- Maintains a **premium price point** and **strong customer base**.

Advantages:

- Reduced price sensitivity.
- Brand loyalty leads to repeat purchases.
- Easier to command premium pricing.

Risks:

- High costs for R&D and marketing.
- Risk of imitation by competitors.
- Customer preferences may change.

3. Focus Strategy (Niche Strategy)

Objective: To target a **specific market segment** or group of customers with tailored products or services.

Two variants:

- **Cost Focus**: Offers the lowest cost in a niche market (e.g., budget airlines).
- **Differentiation Focus**: Offers customized, unique products to a niche (e.g., luxury brands).

Example: Rolex

- Targets the **luxury watch segment**.
- Offers **exclusive, high-quality, handcrafted timepieces**.
- Creates a strong **brand image and prestige** appeal.

Advantages:

- Strong loyalty from niche markets.
- Lesser direct competition.

Risks:

- Niche market may shrink or become less profitable.
- Large firms may enter the niche segment.

Summary Comparison Table:

Strategy Type	Market Scope	Advantage Source	Example	Key Focus
Cost Leadership	Broad	Low Cost	Walmart	Efficiency, scale, cost control
Differentiation	Broad	Unique Value	Apple	Innovation, branding, customer experience
Focus (Cost or Diff)	Narrow	Low Cost/Unique	Rolex	Serving niche with cost or uniqueness

Choosing the Right Strategy

A company must consider:

- Industry structure (using tools like Porter's Five Forces)
- Internal strengths and capabilities
- Customer preferences and segmentation
- Competitive dynamics

3.Strategy in the Global Environment

Definition:

When firms expand across borders, they must craft strategies that allow them to **compete effectively in international markets.** The key challenge is **balancing global efficiency** with **local responsiveness**—offering standardization where possible, but customization where necessary.

Global Strategy Approaches

1. Multidomestic Strategy (Localization Strategy)

Objective: Maximize local responsiveness by **customizing products, services, and operations** to suit each country's market.

Characteristics:

- Decentralized decision-making.
- Tailored marketing, branding, and offerings.
- Country-specific strategies.

Example: McDonald's

- Offers **region-specific menus** (e.g., McAloo Tikki in India, Teriyaki Burger in Japan).
- Adapts store design, service styles, and promotions to match **local culture and preferences**.

Advantages:

- Strong local customer connection.
- Higher customer satisfaction due to personalization.

Disadvantages:

- Loss of economies of scale.
- Higher production and operational costs.
- Risk of inconsistent brand image globally.

2. Global Standardization Strategy

Objective: Focus on **efficiency and cost reduction** by offering **standardized products** across global markets.

Characteristics:

- Centralized decision-making.
- Uniform branding, production, and marketing.
- Leverages economies of scale.

Example: Samsung

- Offers similar products (smartphones, TVs) across global markets.
- Maintains **consistent quality and technology** to achieve cost efficiencies.
- Uses **global advertising campaigns** and unified product features.

Advantages:

- Lower costs through mass production.

- Consistent brand image worldwide.
- Easier coordination and control.

Disadvantages:

- May fail to meet local needs.
- Less flexibility in adapting to cultural or legal differences.

3. Transnational Strategy

Objective: Combine global efficiency with local responsiveness.

Characteristics:

- Complex to implement but aims to **integrate the best of both worlds**.
- Shared global resources and local autonomy.
- Learning and innovation flow both ways (global ↔ local).

Example: Unilever

- Uses a **"think global, act local"** approach.
- Offers global brands like Dove or Lipton, but adapts **marketing and sometimes product composition** for local markets.
- Empowers local subsidiaries to respond to market needs while maintaining global brand strength.

Advantages:

- Achieves efficiency and flexibility.
- Encourages knowledge transfer between markets.
- Builds a strong global presence while staying locally relevant.

Disadvantages:

- High operational complexity.
- Requires strong coordination and management capabilities.

Comparison Table

Strategy Type	Focus	Decision-Making	Example	Pros	Cons
Multidomestic	Local responsiveness	Decentralized	McDonald's	Tailored products, local customer appeal	High cost, less global coordination
Global Standardization	Efficiency, consistency	Centralized	Samsung	Economies of scale, global brand strength	Less local adaptation
Transnational	Efficiency + Responsiveness	Hybrid	Unilever	Best of both, learning across markets	Complex structure, high management cost

Choosing the Right Approach

A company's choice depends on:

- **Nature of the product or service**
- **Customer preferences**
- **Level of global competition**
- **Cultural differences**
- **Regulatory environment**

4. Corporate Strategy

Corporate Strategy: An Overview

Definition:

Corporate strategy focuses on the **overall scope and direction of a company**, especially when it operates in **multiple industries or markets**. It answers the question:

"In which industries or businesses should we compete to achieve long-term profitability and growth?"

It involves strategic decisions related to **resource allocation**, **portfolio management**, and **growth directions** through integration, diversification, alliances, or acquisitions.

1. Vertical Integration

What is it?

Vertical integration involves a company expanding its operations **along the supply chain**—either:

- **Backward integration** (toward suppliers), or
- **Forward integration** (toward distributors/customers).

Purpose:

- Gain more **control over inputs and outputs**.
- Improve **cost efficiency** and **quality control**.
- Reduce dependency on external partners.

Case Study: Tesla

- **Backward Integration**: Manufactures its own batteries (Gigafactory) instead of buying from third-party suppliers.
- **Forward Integration**: Operates its own showrooms and service centers, bypassing traditional dealerships.
- **Benefits**:
  - Lower costs over time.
  - Tighter control over product quality and delivery.

2. Diversification

What is it?

Diversification occurs when a firm **enters into new industries or develops new products** beyond its existing markets.

Types:

- **Related Diversification**: Expands into similar or complementary industries.
- **Unrelated Diversification**: Enters completely different industries.

Purpose:

- Spread risk across industries.
- Tap into new revenue streams.

- Utilize existing capabilities in new ways.

Case Study: Google (Alphabet Inc.)

- Originally a **search engine company**, now diversified into:
  - **AI** (DeepMind)
  - **Cloud computing**
  - **Hardware** (Pixel phones, Nest)
  - **Self-driving cars** (Waymo)
- **Benefit**: Alphabet becomes more resilient by operating across multiple high-tech sectors.

3. Strategic Alliances

What is it?

Strategic alliances are **partnerships** between companies that remain **independent**, but collaborate to pursue shared objectives such as entering new markets, developing new products, or sharing technologies.

Purpose:

- Share resources and risks.
- Gain access to new capabilities or distribution networks.
- Enter new markets quickly without full ownership.

Study: Starbucks & PepsiCo

- Starbucks partnered with PepsiCo to **distribute bottled coffee drinks** like Frappuccino worldwide.
- **Benefit**:
  - Starbucks gained **PepsiCo's distribution strength**.
  - PepsiCo added a new product category under its beverage portfolio.

4. Mergers & Acquisitions (M&A)

What is it?

- **Merger**: Two companies combine to form a new entity.
- **Acquisition**: One company **buys out** another.

Purpose:

- Achieve growth rapidly.
- Gain access to new markets, technology, or talent.
- Eliminate competition.

Case Studies:

• Merger: Disney & Pixar

- Merged in 2006 to strengthen Disney's animation division.
- **Synergy**: Combined Pixar's innovation with Disney's storytelling and distribution.

• Acquisition: Facebook & Instagram

- Acquired Instagram in 2012 for $1 billion.
- **Objective**: Expand Facebook's influence in mobile photo-sharing and social media.
- **Impact**: Instagram became a core part of Meta's social media empire.

Summary Comparison Table

Strategy Type	Key Focus	Example(s)	Benefits
Vertical Integration	Control over supply chain	Tesla	Cost control, quality, independence
Diversification	Enter new products/industries	Alphabet (Google)	Risk spreading, growth, innovation
Strategic Alliances	Collaborative growth	Starbucks & PepsiCo	Market access, shared risk
Mergers & Acquisitions	Rapid expansion or synergy	Disney-Pixar, Facebook-Instagram	Market power, quick entry, competitive edge

5. Strategic Analysis & Choice

1. BCG Matrix (Boston Consulting Group Matrix)

What Is the BCG Matrix?

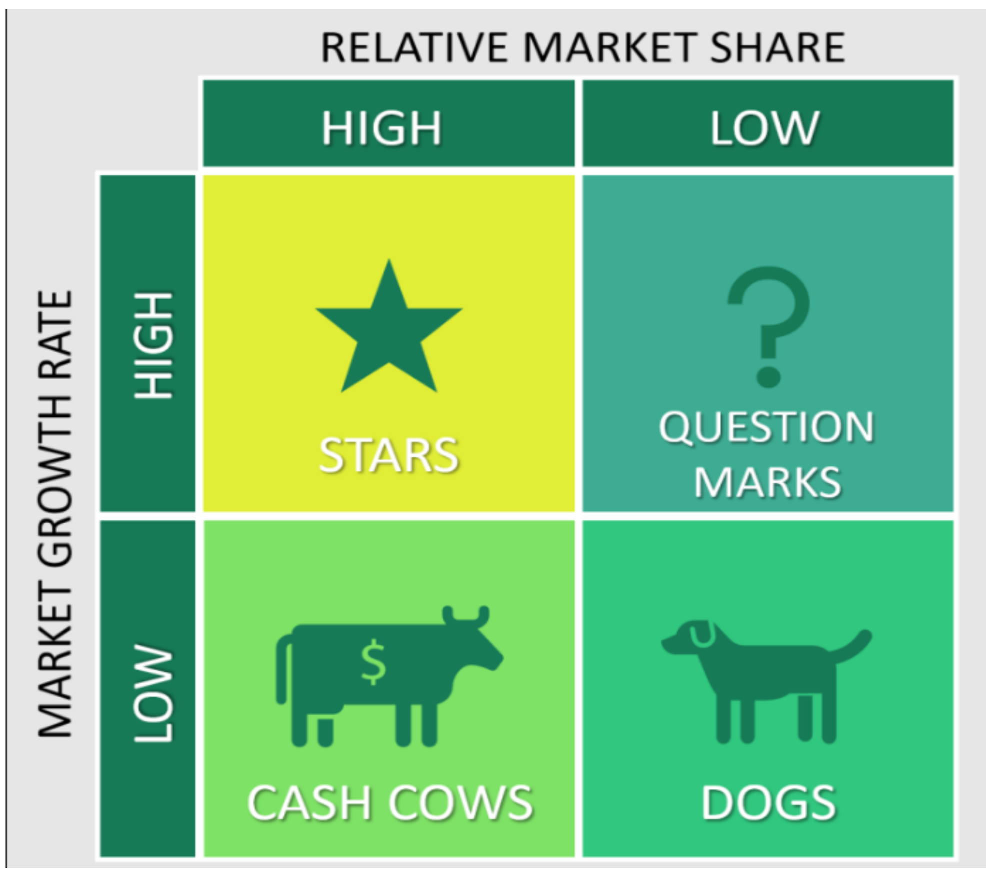
The **BCG Matrix** is a **portfolio management tool** that helps businesses analyze their product lines or business units based on:

- **Market Growth Rate** (industry attractiveness)
- **Relative Market Share** (competitive advantage)

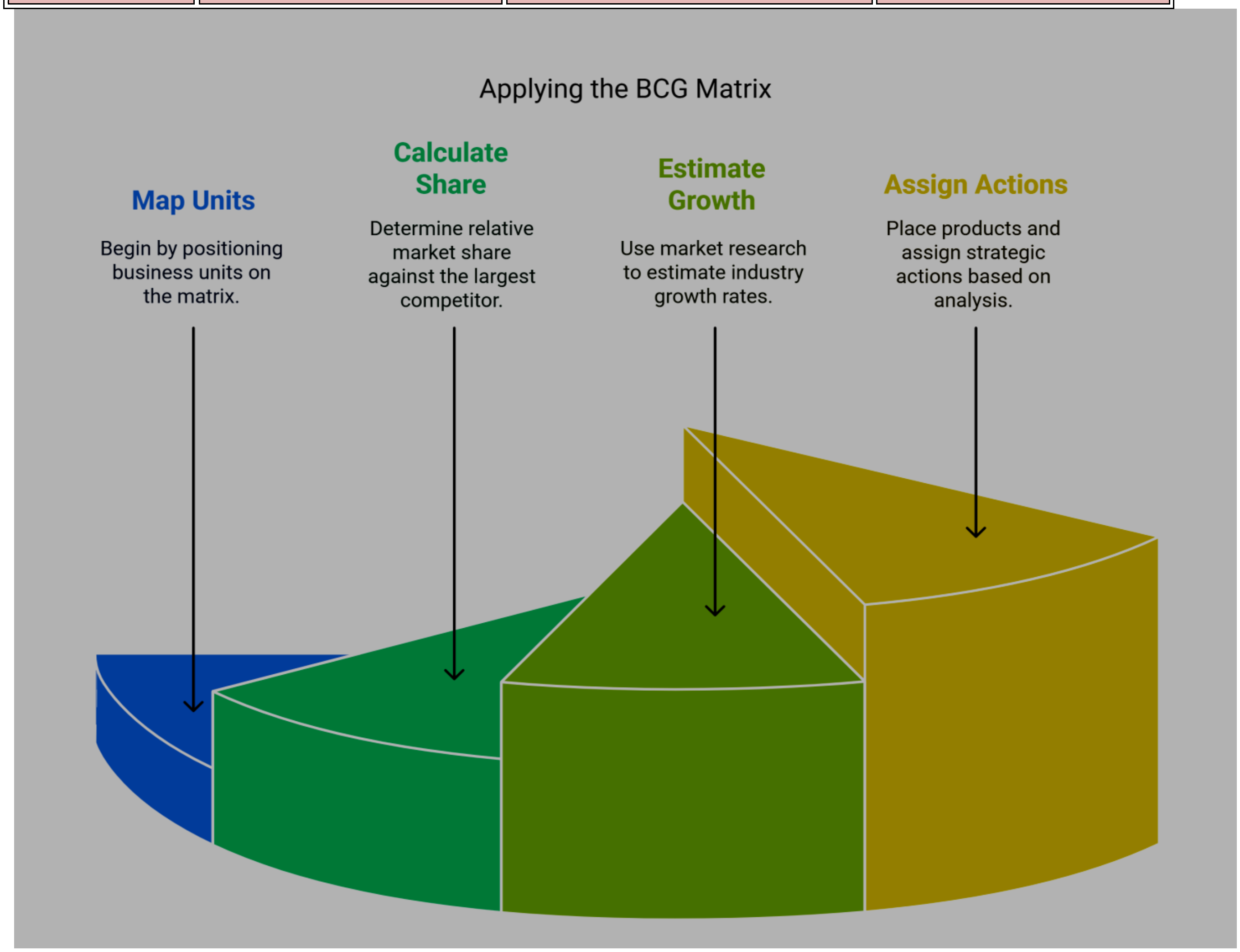
It helps companies decide **where to invest, divest, or develop products** to maintain a balanced and profitable portfolio.

The Four Quadrants of the BCG Matrix

The matrix is divided into four categories:



Quadrant	Description	Strategy	Example
Stars	High growth, high market share	Invest heavily to maintain/grow share	Tesla's Model 3, Apple's iPhone
Cash Cows	Low growth, high market share	Maximize cash flow, fund other units	Microsoft Office, Coca-Cola
Question Marks	High growth, low market share	Analyze potential; invest or divest	Google Pixel, Amazon Fresh
Dogs	Low growth, low market share	Divest, sell off, or reposition	Yahoo Messenger, iPod



Strategic Implications

Type	Typical Strategy
Stars	Continue investing, build brand
Cash Cows	Use surplus to support Stars & QMs
Question Marks	Analyze potential, invest selectively
Dogs	Exit or reposition

Limitations of the BCG Matrix

- Oversimplifies real-world dynamics
- Ignores interdependencies between products
- Market growth may not reflect profitability
- Doesn't consider other factors like innovation or customer loyalty

Real-World Example: Amazon

Product / Business Unit	Category
AWS	Cash Cow
Amazon Prime Video	Question Mark
Alexa Devices	Dog
E-commerce (India)	Star

2. GE Matrix (GE-McKinsey Nine-Box Matrix)

What is the GE Matrix?

The **GE Matrix** is a strategic business planning tool developed by **McKinsey & Company for General Electric** in the 1970s. It helps organizations assess their **Strategic Business Units (SBUs)** or product portfolios to guide **investment decisions**.

Unlike the simpler **BCG Matrix**, the GE Matrix offers a **more sophisticated and flexible analysis** by evaluating:

- **Industry Attractiveness**
- **Business Unit Strength**

Dimensions of the GE Matrix

➢ Industry Attractiveness

This dimension evaluates how appealing the industry is, based on factors such as:

- Market size and growth rate
- Profit margins
- Competitive intensity
- Technological change
- PESTEL factors (Political, Economic, Social, Technological, Environmental, Legal)

➢ Business Unit Strength

This assesses the internal capability of the business unit, including:

- Market share
- Brand image and reputation
- Distribution capabilities
- Technological know-how
- Profitability relative to competitors

Structure: 3x3 Matrix Grids

The matrix is made up of **nine cells** resulting from the combination of:

- **High / Medium / Low** levels of Industry Attractiveness
- **High / Medium / Low** levels of Business Strength

	High Strength	**Medium Strength**	**Low Strength**
High Attractiveness	Invest/Grow	Selective	Selective
Medium Attractiveness	Invest Selectively	Hold	Harvest
Low Attractiveness	Hold	Harvest	Divest

Steps to Construct the GE Matrix

1. **Identify Criteria** for Industry Attractiveness & Business Strength.
2. **Assign Weights** to each factor based on its importance.
3. **Rate** each SBU or product line against the factors.
4. **Calculate Scores** by multiplying ratings by weights.
5. **Plot** each business unit into the appropriate cell on the matrix.

Strategic Implications

- 🔺 **Grow/Invest**: SBUs with high attractiveness and strength. Allocate maximum resources to capitalize on growth.
- ↔ **Selectivity/Hold**: SBUs with medium ratings. Invest cautiously; maintain market position.

- 🔻 **Harvest/Divest**: SBUs with low strength in unattractive industries. Reduce or withdraw investments.

✅ Advantages

- Comprehensive: Evaluates multiple factors.
- Strategic clarity: Aids in prioritizing business units.
- Flexible: Suitable for diversified firms with various SBUs.

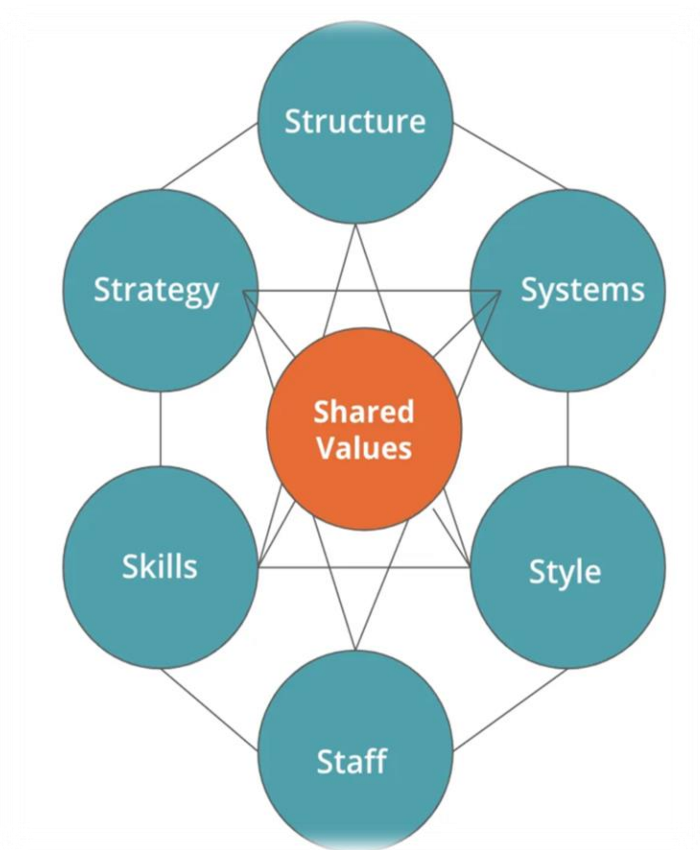
❌ Limitations

- Can be **subjective**: Ratings and weightings depend on managerial judgment.
- **Data-heavy**: Requires reliable internal and external information.
- Doesn't account for **synergies** between business units.

3. McKinsey's 7S Framework

Definition:

The McKinsey 7S Framework is a **strategic management model** developed by McKinsey & Company. It identifies **seven interdependent elements** that must be aligned and mutually reinforced to ensure **organizational effectiveness** and **successful implementation of change**.



It helps analyze internal organizational dynamics and guide restructuring, mergers, performance improvement, or strategy implementation.

The 7 Elements – Grouped as Hard and Soft

Hard Elements (Tangible, easier to identify and influence)

1. **Strategy**
    - The **plan** devised to maintain and build competitive advantage.
    - Focuses on goals, market positioning, and resource allocation.
    - 📝 *Example:* Apple’s strategy to differentiate through innovation and premium design.
2. **Structure**
    - The **organizational chart**, hierarchy, and how roles and responsibilities are divided.
    - Centralized vs. decentralized; functional vs. matrix.
    - 📝 *Example:* Google's matrix structure supports both innovation and operational efficiency.
3. **Systems**
    - The **daily procedures and processes** employees use to get work done.
    - Includes IT systems, HR processes, performance evaluations, etc.
    - 📝 *Example:* Amazon’s automated logistics system ensures fast delivery and inventory accuracy.

Soft Elements (Intangible, culture-driven, harder to change)

4. **Shared Values (Superordinate Goals)**
    - The **core beliefs, culture, and norms** that bind an organization.
    - Central to all other elements – often seen as the “soul” of the organization.
    - 📝 *Example:* Google’s “Don’t be evil” motto influenced its early culture of openness and trust.
5. **Skills**
    - The **competencies and capabilities** of the organization and its people.
    - Includes technical, leadership, and soft skills.
    - 📝 *Example:* Infosys’s strength lies in its IT and engineering skills across its global workforce.
6. **Style**
    - The **leadership approach** and management style adopted across the organization.
    - Can be participative, authoritarian, laissez-faire, etc.
    - 📝 *Example:* Satya Nadella’s collaborative leadership style helped transform Microsoft’s culture.
7. **Staff**
    - Refers to **workforce composition, development, and talent management**.
    - Includes hiring, training, engagement, and diversity initiatives.
    - 📝 *Example:* Unilever’s global graduate programs focus on nurturing diverse future leaders.

Interdependence of the 7 Elements

- The 7 elements are **interconnected**; a change in one impacts others.
- For example:
    - A new **strategy** may require changes in **structure**, new **skills**, and updated **systems**.
    - A cultural shift in **shared values** could affect leadership **style**, hiring **staff**, and required **skills**.

When to Use the 7S Framework

- Organizational restructuring
- Mergers and acquisitions
- Cultural change
- Digital transformation
- Strategy execution and performance reviews

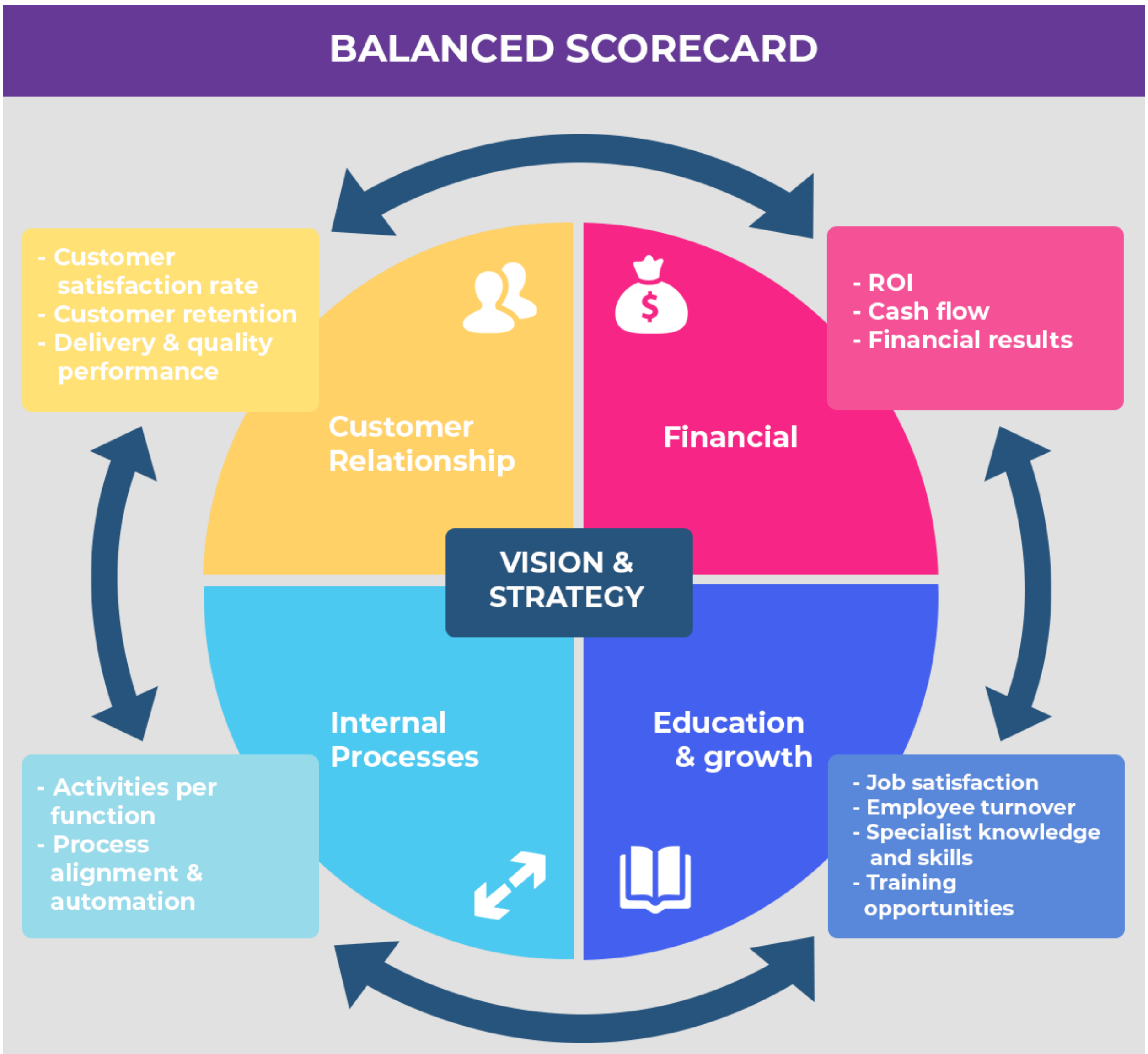
Visual Summary Table

Element	Type	Focus Area	Example
Strategy	Hard	Long-term competitive positioning	Apple's innovation focus
Structure	Hard	Organizational hierarchy & design	Google's matrix structure
Systems	Hard	Operational processes and procedures	Amazon's supply chain tech
Shared Values	**Soft**	**Culture, mission, organizational identity**	**Google's early motto**
Skills	**Soft**	**Employee capabilities and strengths**	**Infosys's IT expertise**
Style	**Soft**	**Leadership approach and behavior**	**Satya Nadella's empathy-driven style**
Staff	**Soft**	**Talent management and workforce practices**	**Unilever's graduate programs**

4. Balanced Scorecard (BSC)

Definition:

The **Balanced Scorecard** is a **strategic performance management tool** developed by **Robert Kaplan and David Norton**. It evaluates an organization's performance **beyond financial metrics**, offering a more **holistic view** through four key perspectives.



The Four Perspectives:

Perspective	Focus Area	Key Metrics / Examples
1. Financial	Profitability and cost control	ROI, net income, revenue growth, cost reduction
2. Customer	Customer satisfaction and loyalty	Customer satisfaction score, retention rate, NPS
3. Internal Processes	Operational efficiency and quality	Cycle time, defect rates, process innovation
4. Learning & Growth	Employee growth and culture	Employee training hours, engagement, retention, skills

Purpose:

- Aligns **day-to-day activities with strategy**
- Bridges the gap between **vision** and **performance**
- Encourages **long-term strategic thinking** rather than short-term financial focus only

Why Use It?

- Helps organizations track both **lagging (results)** and **leading (predictive)** indicators
- Encourages **balanced decision-making**
- Facilitates **communication of strategy** across departments

Balanced Scorecard Flow (Cause-and-Effect Logic)

A strong **Learning & Growth** environment (trained staff, good culture)
⬇
Improves **Internal Processes** (efficient workflows, innovation)
⬇
Leads to better **Customer Satisfaction** (faster service, better quality)
⬇
Drives **Financial Success** (increased revenue, lower costs)

Real-Life Example: Amazon

- **Financial:** Focus on long-term profitability despite short-term losses
- **Customer:** “Customer obsession” via Prime, personalized recommendations
- **Internal Processes:** Advanced logistics and AI-driven operations
- **Learning & Growth:** Upskilling programs, leadership principles, innovation labs

6. Designing Strategic Control Systems

🎯 ***Matching Structure and Control to Strategy***

Strategic control systems ensure that the **organization stays aligned** with its **strategic goals** through proper monitoring, evaluation, and feedback mechanisms. They must be designed to match the **organization's structure and strategy.**

Why Alignment Matters?

An effective strategy **requires matching** the company's:

- **Structure** – how responsibilities and roles are organized
- **Control Systems** – how performance is measured and directed
- **Culture** – how people behave and make decisions

Mismatch between these can lead to **strategic failure** even if the strategy is sound.

Types of Organizational Structure & Control Systems

Structure Type	Best Strategy Fit	Control Mechanisms
Functional	Cost Leadership	Tight financial controls, KPIs (e.g., cost per unit)
Divisional (Product/Region-based)	Differentiation / Market Expansion	ROI, product-based KPIs, brand metrics
Matrix	Innovation / Multi-project firms	Dual controls (functional & project-based), cross-KPIs
Network / Flat	Agile / Entrepreneurial	Cultural controls, peer review, self-management

Components of Strategic Control Systems

1. **Premise Control**
   ➤ Monitors the assumptions on which the strategy is based (e.g., market growth, technology trends).
2. **Implementation Control**
   ➤ Tracks progress of strategic initiatives (milestones, budget, timelines).
3. **Strategic Surveillance**
   ➤ General scanning to catch unforeseen developments or threats.
4. **Special Alert Control**
   ➤ Quick response systems for crises or major environmental shifts (e.g., economic downturn, regulatory change).

Tools & Techniques Used

- **Balanced Scorecard**
- **Key Performance Indicators (KPIs)**
- **Benchmarking**
- **Dashboards** (Real-time data visuals)
- **Management by Objectives (MBO)**

Example: Apple Inc.

- **Strategy**: Differentiation through innovation
- **Structure**: Functional with centralized R&D
- **Control System**: Strong design-focused culture, project milestones, quality KPIs

✅ Best Practices

- Ensure **flexibility**: Control systems must evolve with strategy.
- Keep **feedback loops** short for quicker response.
- Align **individual goals** with strategic goals.
- Encourage **accountability and learning**, not just compliance.

7. Implementing Strategic Change: Politics, Power, and Conflict

1. Introduction to Politics, Power, and Conflict in Strategic Change

Strategic change often disrupts the status quo, leading to political behavior, power struggles, and conflicts within organizations. MBA students must understand these dynamics to effectively lead change initiatives.

Why Politics & Power Matter in Change Management?

- Resource allocation (budgets, roles, authority shifts)
- Resistance from vested interests (employees, managers, unions)
- Hidden agendas (personal vs. organizational goals)
- Leadership influence (formal vs. informal power)

Example: When Satya Nadella took over Microsoft in 2014, he faced internal resistance due to the company's entrenched "Windows-first" culture. He used coalition-building and visionary leadership to shift focus toward cloud computing (Azure) and AI, overcoming political resistance.

2. Power Dynamics in Strategic Change

Types of Power in Organizations

Power Type	Description	Example in Change Management
Legitimate Power	Authority from position (CEO, Manager)	A CEO mandating a digital transformation
Reward Power	Control over incentives (bonuses, promotions)	HR offering training for employees who adopt new processes
Coercive Power	Ability to punish (demotions, layoffs)	Restructuring that removes resistant managers
Expert Power	Knowledge & skills	A tech expert leading an AI adoption project
Referent Power	Charisma & influence	A respected senior manager rallying teams behind change

Case Study: Netflix's Shift from DVDs to Streaming

- Power Struggle: DVD division leaders resisted Reed Hastings' push toward streaming (fear of losing relevance)
- Political Move: Hastings used expert power (data on market trends) and coercive power (phasing out DVDs) to enforce change
- Result: Netflix became a streaming giant, while Blockbuster (which resisted change) failed

3. Conflict in Strategic Change

Sources of Conflict During Change

1. Interest-Based Conflict – e.g., Departments fighting for budget allocation
2. Value-Based Conflict – e.g., Traditional vs. innovative culture clash
3. Structural Conflict – e.g., New hierarchy vs. old reporting lines

Conflict Resolution Strategies

Strategy	When to Use	Example
Collaboration (Win-Win)	High trust, complex issues	Cross-functional teams designing a new strategy
Compromise (Give & Take)	Deadlock situations	Unions agreeing to pay cuts to avoid layoffs
Accommodation (Yield)	Maintaining harmony is critical	A manager accepting a subordinate's suggestion
Competition (Win-Lose)	Urgent decisions, high stakes	A CEO overruling resistant board members
Avoidance (Delay)	Tempers are high, issue is minor	Postponing a debate on office redesign

Case Study: Disney's Acquisition of Pixar (2006)

- Conflict: Disney's rigid corporate culture clashed with Pixar's creative freedom
- Resolution: Bob Iger (Disney CEO) used collaboration—allowing Pixar's leadership (Ed Catmull & John Lasseter) autonomy while integrating them into Disney
- Outcome: Successful merger, leading to hits like Toy Story 3 and Frozen

4. Political Strategies for Effective Change Implementation

Step 1: Stakeholder Analysis & Power Mapping

- High Power, High Interest (Key Players – Engage closely)
- High Power, Low Interest (Keep Satisfied)
- Low Power, High Interest (Keep Informed)
- Low Power, Low Interest (Monitor)

Example: When Indra Nooyi (PepsiCo CEO) pushed for healthier products, she focused on high-power stakeholders (board, investors) by linking health trends to long-term profits.

Step 2: Coalition Building

- Identify allies (early adopters, influencers)
- Neutralize opponents (address concerns, offer compromises)

Example: Elon Musk's Tesla Gigafactories faced political resistance in Germany. He built coalitions with local govt. & environmental groups to gain approval.

Step 3: Framing the Change

- Rational Framing (Data-driven: "AI will cut costs by 20%")
- Emotional Framing (Visionary: "Let's revolutionize healthcare!")

Example: When Apple shifted from Intel to its own M1 chips, Tim Cook framed it as "innovation for better performance" rather than just a cost-cutting move.

5. Overcoming Resistance to Change

Common Resistance Tactics

- "This won't work here" (Cultural resistance)
- "We've always done it this way" (Inertia)
- Hidden sabotage (Delays, passive-aggressive behavior)

How to Counter Resistance?

Resistance Type	Solution
Fear of Job Loss	Upskilling programs, clear communication
Lack of Trust	Transparency, quick wins
Comfort with Status Quo	Show crisis (e.g., "Blockbuster failed to adapt")

Case Study: Nokia's Failure to Adapt to Smartphones

- Resistance: Engineers clung to Symbian OS, ignoring Android/iOS trends
- Result: Lost market dominance to Apple & Samsung

Final Thought:
"In strategy, the hardest battles aren't against competitors—they're inside your own organization."

8. Techniques of Strategic Evaluation & Control

1. Introduction to Strategic Evaluation & Control

Strategic evaluation ensures that a company's strategy stays on track and delivers desired results. Control mechanisms help detect deviations and take corrective actions.

Why is Strategic Control Important?

- Prevents strategy drift (losing focus over time)
- Ensures resource efficiency (budgets, manpower, time)
- Measures performance gaps (actual vs. planned results)
- Adapts to external changes (market shifts, competition)

Example: Kodak's Failure – Despite inventing the digital camera, Kodak failed to evaluate market trends and control its reliance on film, leading to bankruptcy.

2. Key Techniques of Strategic Evaluation & Control

(A) Financial Control Techniques

Technique	Purpose	Example
Budgetary Control	Compare actual vs. planned spending	A startup tracking burn rate vs. projections
Ratio Analysis	Assess profitability, liquidity, efficiency	Debt-to-equity ratio to check financial health
Economic Value Added (EVA)	Measures true economic profit	Infosys uses EVA to evaluate project ROI

Case Study: Tesla's Financial Controls

- Challenge: High cash burn in early years.
- Control Technique: Elon Musk enforced strict cost controls, delaying non-critical projects.
- Result: Achieved profitability in 2020 after years of losses.

(B) Non-Financial Control Techniques

Technique	Purpose	Example
Balanced Scorecard	Measures performance across financial, customer, process, and growth metrics	Apple tracks customer satisfaction alongside revenue
Benchmarking	Compare performance vs. industry leaders	Samsung benchmarking chip efficiency against TSMC
Management Audits	Reviews strategy execution effectiveness	GE's annual leadership review under Jack Welch

Case Study: Amazon's Balanced Scorecard Approach

- Customer Perspective: Obsession with delivery speed (Prime 1-day shipping).
- Internal Process: AI-driven warehouse automation.
- Learning & Growth: Upskilling employees in AWS & AI.
- Result: Sustained market dominance.

(C) Strategic Surveillance & Early Warning Systems

- Environmental Scanning (PESTEL analysis)
- Competitor Monitoring (SWOT analysis of rivals)
- Scenario Planning (Preparing for disruptions)

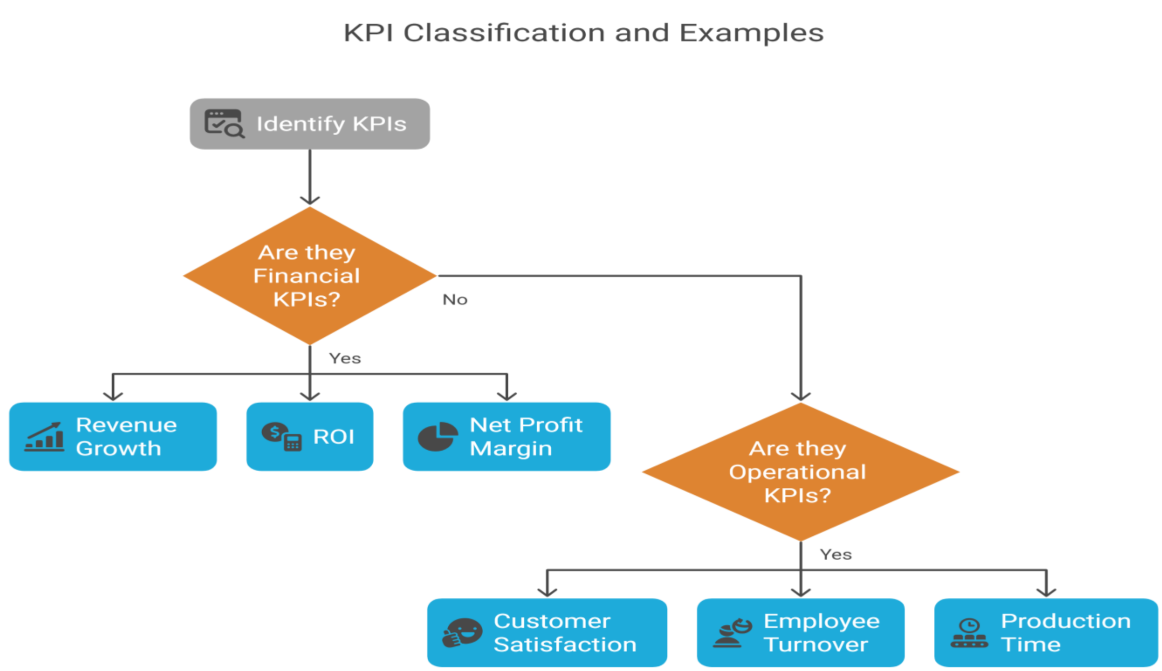
Example: Netflix vs. Blockbuster

- Netflix's Surveillance: Saw streaming trends early, pivoted from DVDs.
- Blockbuster's Failure: Ignored market signals, stuck to physical rentals.

3. Best Practices for Effective Strategic Control

➢ Key Performance Indicators (KPIs)

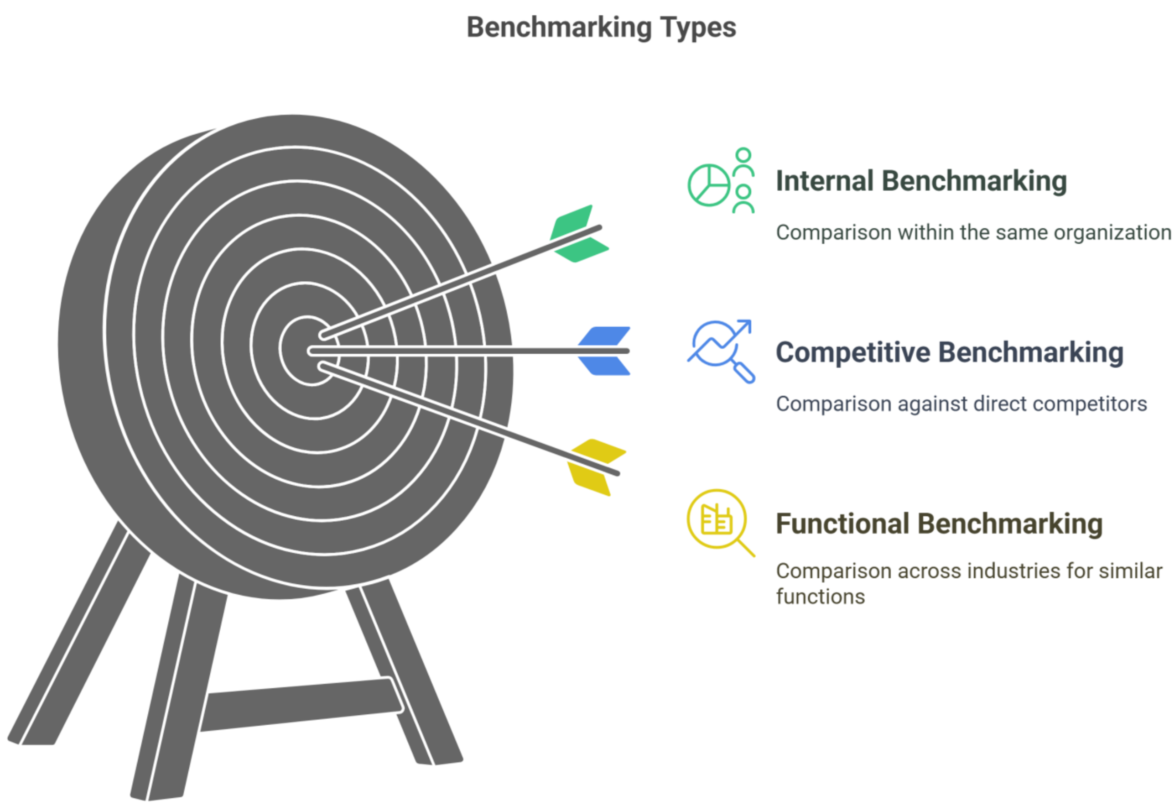
Definition:
KPIs are **quantifiable metrics** used to evaluate the success of an organization in achieving key objectives.



Use Case Example:
A retail company may track KPIs like *monthly sales volume*, *customer complaints*, and *inventory turnover ratio* to ensure alignment with strategic goals.

➢ Benchmarking

Definition:
Benchmarking involves **comparing your organization's performance** with that of **industry best practices** or top-performing peers.



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Use Case Example:
A hotel chain benchmarks its **customer satisfaction scores** against a leading competitor like Marriott or Hilton to identify service gaps.

➢ Balanced Scorecard (BSC)

Definition:
A strategic tool that evaluates performance from **four integrated perspectives**:

1. **Financial**
2. **Customer**
3. **Internal Business Processes**
4. **Learning & Growth**

Benefits:

- Links long-term strategic goals to day-to-day actions.
- Provides a **balanced view** beyond just financial data.
- Enhances **strategic communication** across the organization.

Use Case Example:
A tech company uses BSC to track *employee learning (L&G)*, *R&D efficiency (process)*, *customer NPS (customer)*, and *revenue growth (financial)*.

☑ Why These Techniques Matter:

Technique	Focus Area	Strengths
KPIs	Target-specific metrics	Direct, measurable performance signals
Benchmarking	Competitive & best-practice gap	Identifies strengths/weaknesses via comparison
Balanced Scorecard	Integrated strategic view	Aligns vision, strategy, and execution

4. Case Study: Starbucks' Strategic Evaluation & Turnaround (2008–2015)

Problem: Overexpansion & Declining Quality (2008 Crisis)

- Uncontrolled Growth: Too many stores, diluted brand.
- Customer Complaints: Drop in coffee quality & experience.
- Financial Loss: Stock fell by 50%.

Strategic Evaluation & Control Measures

1. Financial Controls:
    - Closed 600 underperforming stores (cost-cutting).
    - Revised CAPEX budgets to focus on profitable locations.
2. Non-Financial Controls:
    - Balanced Scorecard: Improved customer experience (barista training).
    - Benchmarking: Studied McDonald's efficiency in supply chain.
3. Strategic Surveillance:
    - Monitored health trends, leading to healthier menu options.
    - Spotted mobile payment trend, launched Starbucks Rewards App.

Result:

- Revenue grew from $10B (2008) to $21B (2015).
- Brand reputation restored, stock price recovered.

9. Corporate Social Responsibility (CSR)

1. Understanding CSR in Modern Business

Definition & Evolution

- Traditional View: Philanthropy/charity (donations, volunteering)
- Modern View: Strategic integration into core business operations
- Shared Value Concept (Porter & Kramer): Creating economic value while addressing societal needs

Why CSR Matters Strategically

- Risk Mitigation: Avoid reputational damage (e.g., BP oil spill)
- Competitive Advantage: Differentiate brand (Patagonia's sustainability)
- Talent Attraction: Millennials/Gen Z prefer purpose-driven employers
- Investor Pressure: ESG (Environmental, Social, Governance) investing now 33% of global AUM

2. Key CSR Frameworks

Carroll's CSR Pyramid

Level	Focus	Example
Philanthropic	Community goodwill	Google.org's $1B in annual grants
Ethical	Fair operations	Starbucks' ethical coffee sourcing
Legal	Compliance	Microsoft's GDPR implementation
Economic	Profitability	Tesla selling carbon credits

ESG Metrics Framework

- Environmental: Carbon footprint, water usage
- Social: Diversity ratios, community impact
- Governance: Board diversity, anti-corruption policies

Case Example: Unilever's "Sustainable Living" Brands grew 69% faster than other divisions

3. Strategic CSR Implementation Models

A. Value Chain Integration

- Example: IKEA's IWAY Standard
  - Requires all suppliers to meet strict environmental/social criteria
  - Result: 60% reduction in per-product carbon footprint since 2016

B. Shared Value Creation

- Example: Nestlé's Creating Shared Value
  - Farmer training programs → Better raw materials + rural development
  - Generated CHF 2.6B in shared value (2020)

C. Circular Economy Models

- Example: H&M's Garment Collecting Program
  - Recycled 29,005 tonnes of textiles in 2021
  - Business benefit: New "Conscious" product line

4. CSR Leadership Case Studies

Case 1: Patagonia's Radical CSR

- "Earth is our only shareholder" - 100% of profits to climate action
- Worn Wear program: Repairs >100,000 garments annually
- Result: 30% annual growth despite premium pricing

Case 2: Microsoft's Carbon Negative Pledge

- Strategy: Internal carbon fee ($15/ton) funds sustainability projects
- Execution:
  - 100% renewable energy by 2025
  - $1B climate innovation fund
- Impact: Eliminated all historical emissions (2021)

Case 3: Tata Group's Community CSR

- TCS: Digital literacy for 1M+ Indians
- Tata Steel: Spends 5-7% of PAT on CSR (vs India's 2% mandate)
- Strategic Benefit: License to operate in rural markets

5. Measuring CSR Impact

Quantitative Metrics

Metric	Calculation	Benchmark
Social ROI	(Social Value - Investment) / Investment	>3:1 is strong
Carbon Intensity	Tons CO2e per $1M revenue	Tech: ~100 tons
Diversity Ratio	% women/minorities in leadership	S&P 500 avg: 28%

Qualitative Measures

- Reputation indices (Dow Jones Sustainability Index)
- Employee engagement scores
- Customer loyalty metrics

Example: Salesforce's 1-1-1 Model (1% equity, 1% product, 1% time) created $300M+ in social impact

6. CSR Risks & Challenges

Common Pitfalls

1. Greenwashing: Volkswagen's "Clean Diesel" scandal cost $30B
2. Over-Promising: Boohoo's ethical fashion claims vs supply chain reality
3. Stakeholder Conflicts: Amazon's climate pledge vs warehouse working conditions

Mitigation Strategies

- Third-party audits (PwC's CSR assurance)
- Science-based targets (SBTi certification)
- Integrated reporting (GRI Standards)

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