

# Strategy, Definition, Meaning and Features

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**Strategy** is a comprehensive plan formulated by an organization to achieve its long-term goals and gain a competitive advantage. It involves setting objectives, analyzing internal and external environments, allocating resources, and implementing actions to meet business goals effectively. Strategy provides direction and guides decision-making to respond to dynamic market conditions. It integrates organizational strengths with opportunities, while minimizing threats and overcoming weaknesses. Strategic management includes formulating, implementing, and evaluating strategies. Overall, strategy is crucial for aligning the organization's mission with its environment, ensuring sustainability, profitability, and growth in a competitive business landscape.

## | Definition of Strategy:

### **Alfred D. Chandler (1962)**

*“Strategy is the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.”*

### **Michael E. Porter (1980)**

*“Strategy is the creation of a unique and valuable position, involving a different set of activities.”*

### **Igor Ansoff (1965)**

*“Strategy is a rule for making decisions determined by product-market scope, growth vector, competitive advantage, synergy, and resource allocation.”*

### **Henry Mintzberg (1994)**

*“Strategy is a pattern in a stream of decisions.”*  
(He also proposed the 5 Ps of strategy: Plan, Ploy, Pattern, Position, and Perspective.)

### **William F. Glueck (1980)**

*“Strategy is a unified, comprehensive, and integrated plan designed to ensure that the basic objectives of the enterprise are achieved.”*

### **The Oxford Dictionary of Business (2002)**

*“Strategy is a plan of action designed to achieve a long-term or overall aim.”*

## | Features of Strategy:

## **Long-Term Orientation**

Strategy is fundamentally long-term in nature. It focuses on setting and achieving goals that may span several years, guiding an organization toward sustained growth and competitive advantage. Unlike operational decisions, which are short-term and tactical, strategy aims to shape the future by preparing the organization to deal with changes in the external environment. It influences the direction of the company by setting priorities and allocating resources accordingly. Strategic thinking considers trends, uncertainties, and risks, ensuring the organization's relevance, survival, and success over time. This long-term view helps in making informed decisions for future sustainability.

## **Direction and Scope**

Strategy provides a clear direction and defines the scope of an organization's activities. It answers the fundamental questions: What business are we in? Where do we want to go? And how will we get there? By identifying specific markets, products, services, and customer segments, strategy aligns the organization's efforts toward common objectives. It ensures that all departments and units work toward a unified vision. This clarity in direction and scope enables efficient use of resources, facilitates performance tracking, and enhances decision-making across all levels of the organization.

## **Competitive Advantage**

One of the key features of strategy is to help an organization achieve and sustain **competitive advantage**. This involves creating a unique position in the marketplace that allows the business to outperform competitors. It may be achieved through cost leadership, differentiation, or focus strategies. A sound strategy identifies an organization's core competencies and matches them with market needs in a way that is difficult for competitors to replicate. Competitive advantage leads to higher customer loyalty, increased market share, and improved profitability, thus playing a vital role in long-term success.

## **Environmentally Oriented**

Strategy is developed with a strong focus on the external environment, including economic, political, social, technological, legal, and environmental (PESTLE) factors. Strategic planning involves continuous environmental scanning to identify opportunities and threats. By understanding market dynamics, customer preferences, industry trends, and competitor behavior, organizations can craft strategies that are proactive and adaptive. This environmental orientation helps in mitigating risks and exploiting opportunities, ensuring that the organization remains agile and resilient in a rapidly changing business landscape.

## **Integration and Coordination**

A good strategy integrates various functions and coordinates activities across the organization. It unifies departments such as marketing, finance, operations, and human resources under a common framework. This ensures that all parts of the organization are aligned and moving toward the same strategic goals. Integration fosters synergy, enhances communication, eliminates redundancy, and promotes efficient use of resources. Strategic management thus bridges the gap between different levels of the organization, enabling better control, execution, and achievement of objectives.

### **Dynamic and Flexible**

Strategy is not rigid; it is dynamic and flexible to accommodate changes in the internal and external environment. Businesses operate in unpredictable markets where trends, customer expectations, regulations, and technologies constantly evolve. A successful strategy must be reviewed and revised regularly to remain relevant and effective. Flexibility allows an organization to adapt to unexpected challenges or capitalize on emerging opportunities. This feature of adaptability helps in sustaining long-term performance and competitiveness, especially in volatile or uncertain business conditions.

# Corporate Policy as a field of Study

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**Corporate Policy** refers to the set of principles, rules, and guidelines formulated by an organization to regulate its internal processes and external dealings. These policies establish a clear structure for decision-making, resource allocation, risk management, and ethical conduct. They define how a corporation should act in different situations, ensuring consistency and alignment with organizational objectives.

For example, a corporate policy might dictate how a company handles employee behavior, environmental sustainability, customer relations, or financial reporting. These policies are not rigid rules but frameworks that help executives and managers navigate complex business environments.

## | **Scope of Corporate Policy:**

1. **Strategic Planning:** Establishing long-term goals, defining vision and mission, and creating action plans to guide organizational growth.
2. **Operational Policies:** Addressing daily operations, resource management, logistics, and quality control.
3. **Financial Policies:** Setting frameworks for budgeting, investment, risk management, and profitability.
4. **Human Resource Policies:** Guiding recruitment, employee behavior, training, development, and organizational culture.
5. **Marketing and Customer Policies:** Formulating strategies related to customer service, advertising, pricing, and product development.
6. **Corporate Governance and Ethics:** Ensuring transparency, accountability, and ethical behavior across all levels of management.

These policies are essential in maintaining order and coherence across the organization and ensuring that the strategic vision is implemented in a practical and consistent manner.

## | **Corporate Policy vs. Strategy:**

While closely related, corporate policy and strategy are not the same. A **strategy** is a plan of action to achieve specific goals, whereas **corporate policy** provides the broad framework within which strategies are formulated and executed. For instance, a company may adopt a growth strategy (like market penetration or diversification), but the corporate policy will outline the ethical and operational boundaries within which such a strategy should be pursued.

In simple terms:

- **Policy is directional:** it provides the guidelines.
- **Strategy is tactical:** it provides the specific plan of action.

### | **Importance of Corporate Policy as a Field of Study:**

#### **Guides Decision-Making**

Corporate policy provides a structured approach to decision-making. Managers use it as a reference point to ensure consistency and alignment with company goals.

#### **Ensures Organizational Alignment**

Policies ensure that all departments and employees are working in harmony towards common objectives. They bridge the gap between strategy and implementation.

#### **Promotes Ethical Conduct**

Well-defined corporate policies promote ethical behavior, reduce misconduct, and enhance the reputation of the organization.

#### **Helps Manage Risks**

Corporate policy identifies potential risks and sets out procedures to mitigate them. This is crucial in highly regulated industries.

#### **Enhances Efficiency and Control**

Clear policies streamline operations, reduce confusion, and enable better control over business processes.

#### **Supports Corporate Governance**

Corporate policy forms the foundation of good corporate governance. It ensures transparency, fairness, and accountability in the functioning of the company.

### | **Evolution as a Field of Study:**

Corporate policy emerged as a formal academic discipline in the mid-20th century, largely influenced by the growth in corporate size and complexity. With the development of **strategic management** in business schools, corporate policy became an essential area of study, emphasizing the role of top management in steering the organization. It has evolved from being a static, rule-based approach to a dynamic, integrative framework that links internal processes with external environments.

# Business Policy, Meaning, Nature and Importance

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**Business Policy** is the study of the principles and practices that guide an organization's decision-making and strategic direction. It defines the framework within which business decisions are made to achieve organizational goals efficiently and ethically. Business policy integrates various functional areas like marketing, finance, operations, and human resources to ensure coordinated action. It involves setting objectives, formulating plans, and aligning resources with long-term goals. Business policy provides guidelines for problem-solving, resource allocation, and responding to environmental changes. It ensures consistency in actions, promotes organizational coherence, and serves as a foundation for effective strategic management and corporate governance.

## | Nature of Business Policy:

### **Directive in Nature**

Business policy serves as a guiding framework that directs managerial decisions and organizational actions. It helps managers understand what actions are acceptable and what are not, thereby eliminating confusion in day-to-day operations. Policies ensure consistency and alignment across departments by providing clear rules and expectations. By acting as a reference point, business policy reduces reliance on individual judgment and ensures that decision-making is structured, predictable, and goal-oriented. This directive nature helps organizations maintain strategic focus and discipline across all levels of management.

### **Integrative in Approach**

Business policy integrates various functional areas of management—such as marketing, finance, production, and human resources—into a unified whole. It ensures that all departments work cohesively toward the organization's overall objectives. This integration promotes coordination, eliminates duplication of effort, and enhances efficiency. By aligning different business functions, business policy creates synergy, allowing the organization to respond effectively to internal challenges and external changes. It also ensures that strategic initiatives are implemented consistently and harmoniously across the entire organization.

### **General and Broad Framework**

Business policy is broad and general in nature, unlike operational rules which are specific and detailed. It provides a macro-level framework that sets the boundaries within which strategies and decisions are made. Rather than dictating specific actions, it defines principles, values, and directions to be followed. This allows managers the flexibility to adapt their decisions to changing conditions while still aligning with the company's core objectives. The general nature of business policy makes it applicable across all levels and departments within the organization.

### **Long-Term Orientation**

Business policy is primarily long-term in scope, focusing on sustained growth, profitability, and competitive advantage. It lays down the foundational guidelines that influence strategic planning and major decision-making processes. These policies are designed to withstand short-term market fluctuations and emphasize stability, consistency, and future-oriented thinking. By looking beyond immediate results, business policy ensures that the organization remains focused on its mission and vision over time. This long-term orientation also aids in risk management, resource allocation, and navigating uncertainties in the external environment.

### **Top-Level Function**

Formulating business policy is the responsibility of top-level management such as the Board of Directors, CEO, or strategic planning committee. These individuals have a comprehensive understanding of the organization's goals, environment, and stakeholders. Since policy formulation involves setting the tone, vision, and culture of the organization, it requires authority, experience, and a wide perspective. Once framed, these policies are communicated to middle and lower levels for implementation. Thus, business policy is a top-down process that provides direction and governance throughout the enterprise.

## **| Importance of Business Policy:**

### **Provides Direction and Clarity**

Business policy offers a clear framework that guides employees and management in decision-making and goal-setting. It defines the organization's vision, mission, and objectives, ensuring everyone works toward common goals. With a well-defined policy, there is less confusion and ambiguity, which leads to faster and more consistent decisions. It also prevents departments from working in silos by aligning individual efforts with the overall strategic direction of the business. This unified focus enhances productivity, organizational coherence, and operational efficiency, especially in complex and competitive business environments.

### **Facilitates Effective Decision-Making**

Business policy simplifies the decision-making process by offering a set of predefined guidelines and principles. It ensures that decisions are consistent with organizational values, long-term objectives, and legal or ethical standards. Managers at all levels can use policies as a reference point, reducing delays and uncertainty. This leads to faster, more confident, and better-informed decisions across the organization. Furthermore, consistent decision-making helps avoid conflicts and reinforces a culture of trust and responsibility among employees, contributing to a stable and well-governed business environment.

### **Enhances Coordination and Integration**

Business policy helps integrate various functional areas like finance, marketing, HR, and operations under a common strategic umbrella. This alignment ensures that all departments work together harmoniously toward shared objectives. Policies reduce duplication of efforts, streamline communication, and promote coordination among units and levels of management. When every department is clear on its role and how it contributes to the broader goals, overall efficiency and performance improve. This integration also helps organizations adapt quickly to changes, as coordinated responses are easier to implement across the enterprise.

### **Aids in Strategic Planning**

Business policies form the foundation of strategic planning by providing direction, boundaries, and priorities for long-term growth. They help top management analyze internal strengths and weaknesses and assess external opportunities and threats. With policy as a reference, strategies can be formulated that align with the organization's mission and stakeholder expectations. Moreover, well-framed policies ensure continuity in strategic planning even when leadership changes. They reduce ad hoc or reactive planning by establishing a structured approach that helps the business remain focused, competitive, and proactive in a dynamic environment.

### **Ensures Consistency and Stability**

A well-structured business policy ensures consistency in actions and behavior across the organization. Whether it's customer service, employee conduct, or financial reporting, consistent practices help maintain a uniform corporate image and build stakeholder trust. Stability in internal processes also makes it easier to manage large and complex organizations. With clear policies in place, organizations can maintain order during change or crisis, reducing confusion and resistance. Furthermore, stable practices improve employee morale, as everyone knows what is expected and how to perform within the organization's framework.

# Purpose and Objective of Business policy

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Business Policy outlines the boundaries or areas within which subordinates in an organization can make decisions. It allows lower-level management to address issues and resolve problems without needing to seek approval from top-level management for every decision.

The term “**Business Policy**“ is made up of two components: *Business* and *Policy*. *Business* refers to the exchange of goods and services aimed at enhancing utility. *Policy* can be described as “a way of thinking and the guiding principles behind the actions of an organization or institution.” Policies are broad statements that direct thinking, decision-making, and actions within an organization.

**Business objectives** typically represent the final outcomes linked with the plans intended to achieve the company’s broader goals. Both business policies and objectives can be incorporated into plans formulated by an organization. While **objectives** represent the target or end result of a plan, **policy** represents the method and approach used to achieve those objectives.

## | Purpose of Business Policy:

Business policies serve as guiding principles that define an organization’s decision-making framework, operational procedures, and long-term direction. They are essential for ensuring consistency, efficiency, and alignment with strategic objectives.

### **Provides Clear Direction**

Business policies establish a structured approach to decision-making, ensuring all employees and managers follow a unified direction. By defining acceptable practices and boundaries, policies help avoid ambiguity and keep the organization aligned with its mission and vision. This clarity ensures that everyone works toward common goals, reducing conflicts and enhancing operational coherence.

### **Ensures Consistency & Uniformity**

Policies standardize processes across departments, ensuring uniformity in operations. This consistency is crucial for maintaining quality, compliance, and brand reputation. For example, HR policies on recruitment ensure fairness, while financial policies regulate spending. Without standardized policies, organizations risk inefficiency, confusion, and inconsistent outcomes.

### **Facilitates Decision-Making**

Policies act as predefined guidelines, helping managers and employees make quick, informed decisions without constant supervision. They reduce uncertainty by outlining approved methods, ensuring choices align with organizational strategy. For instance, a return policy in retail streamlines customer service decisions, saving time and maintaining customer trust.

### **Enhances Efficiency & Productivity**

By eliminating redundant discussions on routine matters, policies optimize workflow. Employees spend less time figuring out procedures and more time executing tasks. For example, procurement policies streamline vendor selection, reducing delays. Well-defined policies minimize wasted effort, boosting overall productivity.

### **Ensures Legal & Ethical Compliance**

Policies help organizations adhere to laws (e.g., labor regulations, data protection) and ethical standards. They mitigate risks by setting protocols for compliance, such as anti-corruption or workplace safety policies. Non-compliance can lead to fines or reputational damage, making policies a protective shield.

### **Supports Long-Term Strategic Goals**

Policies translate an organization's vision into actionable rules, ensuring daily operations contribute to long-term success. For example, sustainability policies align with environmental goals. By embedding strategy into policies, companies ensure continuity even during leadership changes.

### **Promotes Accountability & Discipline**

Clearly documented policies assign responsibilities and set performance expectations. They discourage deviations, fostering discipline. For instance, a code of conduct policy holds employees accountable for ethical behavior, while financial policies prevent misuse of resources.

## **| Objectives of Business Policy:**

### **Provide a Framework for Decision-Making**

One of the key objectives of business policy is to offer a structured framework that guides decision-making across all levels of the organization. It sets out general guidelines and principles that help managers and employees evaluate options and make choices aligned with organizational goals. By offering a reference point, business policy ensures consistency and reduces uncertainty in everyday operations. This structured approach allows for quick yet informed decisions without constant oversight from top management, thereby improving efficiency and maintaining strategic direction.

### **Establish Organizational Direction and Goals**

Business policy defines the mission, vision, and long-term objectives of the organization, ensuring that all actions are aligned with the company's overall direction. It helps in translating abstract ideas like corporate values and visions into actionable policies. By setting clear goals, business policies help employees understand their roles and responsibilities. This alignment provides a shared sense of purpose across departments and fosters unity in achieving strategic targets. The clarity of direction also facilitates resource allocation and performance evaluation, ensuring that organizational efforts are focused and goal-oriented.

### **Facilitate Strategic Planning and Implementation**

Another key objective of business policy is to support the process of strategic planning and implementation. It serves as a foundation on which strategies are developed and executed effectively. Business policy outlines the principles and boundaries within which strategic decisions should be made, ensuring that such strategies are realistic, ethical, and in line with the organization's core values. During implementation, policies guide operational activities and provide standards for performance, helping to minimize deviations from the planned course. This ensures a smooth transition from planning to actionable outcomes.

### **Promote Consistency and Uniformity**

Business policy ensures consistency in decisions and actions across different departments, teams, and managerial levels. It reduces variations in responses to similar situations by establishing standard procedures and guidelines. This uniformity helps in building a coherent organizational culture and facilitates smooth communication and coordination among teams. Consistent policies also enhance the organization's credibility with external stakeholders such as customers, investors, and regulatory bodies. Over time, this leads to the development of a strong corporate identity and a reputation for reliability and professionalism.

### **Empower Middle and Lower Management**

By defining the scope within which decisions can be made, business policy empowers middle and lower-level managers to act independently within their areas of responsibility. This decentralization of decision-making reduces the burden on top management and speeds up responses to day-to-day issues. Empowered employees tend to be more accountable, motivated, and engaged in their work. Moreover, business policy ensures that while decision-making authority is delegated, the decisions remain consistent with the company's overall goals and ethical standards, fostering a balanced and responsive management structure.

### **Ensure Effective Control and Accountability**

A well-formulated business policy serves as a benchmark for evaluating performance and maintaining control within the organization. It defines acceptable behaviors, procedures, and outcomes, which can be monitored and assessed over time. When policies are clear

and well-communicated, they provide a basis for holding individuals and departments accountable for their actions. This promotes discipline, minimizes risk, and enhances operational efficiency. It also enables timely corrective actions when deviations occur, ensuring that the organization stays on track toward achieving its strategic objectives.

# C-Suite executives-CEO, CFO, COO, CTO, CKO, CRO and CIO

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## CEO

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A CEO, which stands for Chief Executive Officer, is the highest-ranking individual in a company or organization. The CEO is responsible for the overall success of a business entity or other organization and for making top-level managerial decisions. They may ask for input on major decisions, but they are the ultimate authority in making final decisions. There are other titles for CEOs, such as chief executive, president, and managing director.

### Roles and Responsibilities of the CEO

In addition to the overall success of an organization or company, the CEO is responsible for leading the development and execution of long-term strategies, with the goal of increasing shareholder value.

The roles and responsibilities of a CEO vary from one company to another, often depending on the organizational structure and/or size of the company. In smaller companies, the CEO takes on a more “hands-on role”, such as making lower-level business decisions (e.g., hiring of staff). In larger companies, he or she usually only deals with high-level corporate strategy and major company decisions. Other tasks are delegated to managers or departments.

There is no standardized list of the roles and responsibilities of a chief executive officer. The typical duties, responsibilities, and job description of a CEO include:

- Communicating, on behalf of the company, with shareholders, government entities, and the public
- Leading the development of the company’s short- and long-term strategy
- Creating and implementing the company or organization’s vision and mission
- Evaluating the work of other executive leaders within the company, including directors, vice presidents, and presidents
- Maintaining awareness of the competitive market landscape, expansion opportunities, industry developments, etc.
- Ensuring that the company maintains high social responsibility wherever it does business
- Assessing risks to the company and ensuring they are monitored and minimized
- Setting strategic goals and making sure they are measurable and describable.

### Responsibilities of Chief Executive Officer

There is no standardized list of the major functions and responsibilities carried out by position of chief executive officer. The following list is one perspective and includes the major functions typically addressed by job descriptions of chief executive officers.

### **1. Board Administration and Support**

Supports operations and administration of Board by advising and informing Board members, interfacing between Board and staff, and supporting Board's evaluation of chief executive

### **2. Program, Product and Service Delivery**

Oversees design, marketing, promotion, delivery and quality of programs, products and services

### **3. Financial, Tax, Risk and Facilities Management**

Recommends yearly budget for Board approval and prudently manages organization's resources within those budget guidelines according to current laws and regulations

### **4. Human Resource Management**

Effectively manages the human resources of the organization according to authorized personnel policies and procedures that fully conform to current laws and regulations

### **5. Community and Public Relations**

Assures the organization and its mission, programs, products and services are consistently presented in strong, positive image to relevant stakeholders

### **6. Fundraising (nonprofit-specific)**

Oversees fundraising planning and implementation, including identifying resource requirements, researching funding sources, establishing strategies to approach funders, submitting proposals and administrating fundraising records and documentation.

## **CFO**

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The primary job responsibility of the Chief Financial Officer (CFO) is to optimize the financial performance of a company, including its reporting, liquidity, and return on investment. This guide will answer the question of, "What does a CFO do?"

Within a company, these responsibilities fall into departments typically known as the controller's group, treasury, and financial planning and analysis (FP&A).

### **Role**

### **Reporting**

Reporting takes up a lot of a CFO's time, and this responsibility typically resides in the Controller's group. This team of professionals prepares all of the company's historical financial reports required for shareholders, employees, lenders, research analysts, governments, and regulatory bodies. This group is responsible for ensuring all reporting is prepared in an accurate and timely manner.

## **Liquidity**

The CFO needs to ensure the company is able to meet its financial commitments and manage cash flow in the most efficient way. These responsibilities are usually carried out by the treasury group, which is often smaller than the reporting team. This group is tasked with managing the company's cash balance and working capital, such as accounts payable, accounts receivable, and inventory. They also carry out the issuing of any debt, managing investments, and handle other liquidity-related decisions.

## **Return on Investment**

The third thing a CFO does is help earn the company earn the highest possible risk-adjusted return on assets and return on capital (or return on equity). This is where the financial planning and analysis FP&A team comes in to help the CFO forecast future cash flow of the business and then compare actual results to what was budgeted. The FP&A team plays a critical role in analytics and decision making in the business.

If the company has a corporate development team, they also play a big part in creating (or attempting to create) optimal investment returns for the business.

## **COO**

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A chief operating officer (COO), also called a chief operations officer, is one of the highest-ranking executive positions in an organization, comprising part of the "C-suite". The COO is usually the second-in-command at the firm, especially if the highest-ranking executive is the chairperson and CEO. The COO is responsible for the daily operation of the company and its office building and routinely reports to the highest-ranking executive usually the chief executive officer (CEO).

### **Responsibilities and similar titles**

Unlike other C-suite positions, which tend to be defined according to commonly designated responsibilities across most companies, a COO's job tends to be defined in relation to the specific CEO with whom they work, given the close working relationship of these two individuals.

The selection of a COO is similar in many ways to the selection of a vice president or chief of staff of the United States: power and responsibility structures vary in government and private regimes depending on the style and needs of the president or CEO. Thus, the COO role meets individual expectations and changes as leadership teams adjust.

The COO position is common in firms that are operationally intensive, such as airline and automotive industries.

Despite the functional diversity associated with the role of COO, there are some common functions the COOs usually perform:

- At the direction of the CEO and board of directors, marshalling limited resources to the most productive uses with the aim of creating maximum value for the company's stakeholders
- Developing and cascading the organization's strategy/mission statement to the lower-ranking staff, and implementing appropriate rewards/recognition and coaching or corrective practices to align personnel with company goals
- Planning by prioritizing customer, employee, and organizational requirements
- Maintaining and monitoring staffing, levels, knowledge-skills-attributes (KSA), expectations and motivation to fulfil organizational requirements
- Driving performance measures for the operation (including a consideration of efficiency versus effectiveness), often in the form of dashboards convenient for review of high-level key indicators

## **CTO**

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A chief technical officer (CTO), sometimes known as a chief technology officer or chief technologist, is an executive-level position in a company or other entity whose occupation is focused on the scientific and technological issues within an organization.

A CTO is very similar to a chief information officer (CIO). CTOs will make decisions for the overarching technology infrastructure that closely align with the organization's goals, while CIOs work alongside the organization's IT staff members to perform everyday operations. A CTO should be aware of new and existing technologies to guide the company's future endeavors. The attributes of the roles a CTO holds vary from one company to the next, mainly depending on their organizational structure.

The CTO may be called a product manager with the primary goal of managing a tech team and making business critical tech decisions, such as tech design planning, product architecture layout, and development platform selection.

A Chief Technology Officer job description could also include some practical aspects if a tech team doesn't have the knowledge or resources to complete a task, then it is down to the CTO to find a solution. It's no wonder they have to obtain a wide variety of tech and 'soft' skills.

CTO as a service is one more approach that is gaining momentum in 2020. Just as engineering task execution, tech supervision, and management have been outsourced to save project budget costs.

## CKO

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A chief knowledge officer (CKO) is a loosely defined role in some organizations that achieved some prominence during the 1990s and 2000s that supervises knowledge management. In general, their duties involve intellectual capital and organizing preservation and distribution of knowledge in an organization. The position sometimes overlaps with the title of “chief information officer”; CIOs tend to be more focused on information technology within an organization (computer systems and the like), while CKOs have more nebulous portfolios including matters such as overseeing patent applications, internal training and documentation, knowledge sharing, and promoting innovative research.

CKOs are frequently directly appointed by the CEO given their broad domains, since their responsibilities generally cut across organizational boundaries. As a result, exactly what a CKO works on can vary greatly from organization to organization.

By the 2010s, the role became less common; while knowledge management programs are still an important part of corporations and other organizations, a direct officer called Chief Knowledge Officer has fallen out of favor somewhat.

CKO can help an organization to:

- Maximize the return on investment (ROI) in knowledge.
- Maximize benefits from intangible assets, such as branding and customer relationships.
- Repeat successes and analyze and learn from failures.
- Promote best practices.
- Foster innovation.
- Avoid the loss of knowledge that can result from loss of personnel.

## CRO

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A chief risk officer is a corporate executive responsible for identifying, analyzing, and mitigating internal and external risks. The chief risk officer works to ensure that the company complies with government regulations, such as Sarbanes-Oxley, and reviews factors that could hurt investments or a company’s business units.

CROs typically have post-graduate education with more than 20 years of experience in accounting, economics, legal, or actuarial backgrounds. They are also referred to as chief risk management officers (CRMO).

The chief risk officer (CRO) or chief risk management officer (CRMO) of a firm or corporation is the executive accountable for enabling the efficient and effective governance of significant risks, and related opportunities, to a business and its various segments. Risks are commonly categorized as strategic, reputational, operational, financial, or compliance-related. CROs are accountable to the Executive Committee and The Board for enabling the business to balance risk and reward. In more complex organizations, they are generally responsible for coordinating the organization’s

Enterprise Risk Management (ERM) approach. The CRO is responsible for assessing and mitigating significant competitive, regulatory, and technological threats to a firm's capital and earnings. The CRO roles and responsibilities vary depending on the size of the organization and industry. The CRO works to ensure that the firm is compliant with government regulations, such as Sarbanes-Oxley, and reviews factors that could negatively affect investments. Typically, the CRO is responsible for the firm's risk management operations, including managing, identifying, evaluating, reporting and overseeing the firm's risks externally and internally to the organization and works diligently with senior management such as Chief Executive officer and Chief Financial Officer.

The role of the Chief Risk Officer (CRO) is becoming increasingly important in financial, investment, and insurance sectors. According to Watson, the majority of CROs agreed that having only exceptional analytical skill is not sufficient. The most successful CROs are able to combine these skills with highly developed commercial, strategic, leadership and communication skill to be able to drive change and make a difference in an organization. CROs typically have post graduate education with over 20 years of experience in accounting, economics, legal or actuarial backgrounds. A business may find a risk acceptable; however, the company as a whole may not. CROs need to balance risks with financial, investment, insurance, personnel and inventory decisions to obtain an optimum level for stakeholders. According to a study by Morgan McKinley, a successful CRO must be able to deal with complexity and ambiguity, and understand the bigger picture.

The types of threats the CRO usually keeps watch for can be grouped into regulatory, competitive, and technical categories. As noted, companies must ensure they are in compliance with regulatory rules and fulfilling their obligations on reporting accurately to government agencies.

CROs must also check for procedural issues within their companies that may create exposure to a threat or liability. For example, if a company handles sensitive data from a third party, such as personal health information, there may be layers of security that the company is required to maintain to ensure that data is kept confidential. If there are lapses in that security such as when an employee allows an unauthorized person, even within the company, to have access to a company computer that contains such data it can be a form of exposure that a CRO must address. Unauthorized access to sensitive data may also constitute a competitive risk if there is the potential for rival organizations to use such information to take away clients or otherwise damage the public image of the company.

## **CIO**

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Chief information officer (CIO) is an executive job title commonly given to the person at an enterprise in charge of information technology (IT) strategy and the computer systems required to support the organization's unique objectives and goals.

Chief information officer (CIO), chief digital information officer (CDIO) or information technology (IT) director, is a job title commonly given to the most senior executive in an enterprise who works with information technology and computer systems, in order to support enterprise goals.

Typically, the CIO reports directly to the chief executive officer, but may also report to the chief operating officer or chief financial officer. In military organisations, the CIO reports to the commanding officer. The role of chief information officer was first defined in 1981 by William R. Synnott, former senior vice president of the Bank of Boston, and William H. Gruber, a former professor at the Massachusetts Institute of Technology Sloan School of Management. A CIO will sometimes serve as a member of the board of directors.

### **Roles and responsibilities**

The chief information officer of an organization is responsible for several business functions. First and most importantly, the CIO must fulfill the role of a business leader. The CIO makes executive decisions regarding matters such as the purchase of IT equipment from suppliers or the creation of new IT systems. Also, as a business leader, the CIO is responsible for leading and directing the workforce of their specific organization. A CIO is typically “required to have strong organizational skills.” This is particularly relevant for the chief information officer of an organization who must balance roles and responsibilities in order to gain a competitive advantage, whilst keeping the best interests of the organisation’s employees in mind. CIOs also have the responsibility of recruiting, so it is important that they work proactively to source and nurture the best employees possible.

The CIO reports to the chief executive officer (CEO) and at some companies the CIO has a seat on the executive board. CIOs work closely with their IT staff and recent studies show there is a benefit in strengthening the CIO-CMO (chief marketing officer) relationship. According to IBM’s Global C-suite Study, which was published in 2014, companies at which the CEO, CIO and CMO work more closely together than with other C-level executives tend to outperform competitors. The CIO also has a close relationship with the chief financial officer (CFO). In fact, that’s the strongest relationship between CIOs and other C-level execs, according to IBM. After the CFO, the CIO has close relationships with the CEO, CMO, chief supply chain officer (CSCO) and the chief human resources officer (CHRO).

# Company Directors Powers and Duties

11/03/2020

**Director** is an individual appointed by shareholders or the board to manage and oversee the overall operations and governance of a company. Directors are responsible for making key strategic decisions, ensuring legal compliance, safeguarding the company's assets, and acting in the best interests of the company and its stakeholders. They serve as fiduciaries and agents of the company, representing it in business dealings. Directors can be executive (involved in daily management) or non-executive (focused on oversight), depending on their role within the company.

## **Power of Director:**

Directors play a vital role in the management and governance of a company, and their powers are derived from the **Companies Act, 2013** as well as the company's **Memorandum of Association (MOA)** and **Articles of Association (AOA)**.

### **1. Power to Make Strategic Decisions**

Directors are responsible for formulating the company's policies and long-term strategies. They can make high-level decisions regarding the company's objectives, plans for expansion, diversification, mergers, and acquisitions. These strategic decisions are essential for shaping the future of the company.

### **2. Power to Appoint and Remove Key Personnel**

Directors have the authority to appoint key managerial personnel, such as the CEO, CFO, and other senior executives. They also have the power to remove these individuals if their performance is unsatisfactory. This power ensures that the right leadership is in place to execute the company's vision.

### **3. Power to Issue Shares and Securities**

Directors can issue new shares, debentures, or other securities to raise capital for the company. However, certain rules and guidelines under the Companies Act, 2013, must be followed, especially in the case of public companies. Directors decide the terms and conditions of such issues, including pricing and allotment.

### **4. Power to Borrow Funds**

Directors have the authority to borrow funds on behalf of the company. They can raise loans or secure other forms of financial assistance from banks, financial institutions, or other lenders to finance business operations or expansion activities. In some cases, they may require shareholder approval for large-scale borrowings.

### **5. Power to Approve Financial Statements**

Directors are responsible for reviewing and approving the company's financial statements before they are presented to shareholders. They ensure that the financial reports are accurate, comply with accounting standards, and reflect the company's true financial position.

## 6. Power to Declare Dividends

Directors have the authority to declare dividends to shareholders based on the company's profits. They determine the percentage of profits to be distributed as dividends, keeping in mind the company's financial needs for future growth and stability.

## 7. Power to Manage Assets and Property

Directors are empowered to manage the company's assets and property. They can buy, sell, or lease property, make investments, and enter into contracts. Their decisions regarding asset management are crucial for ensuring the company's financial health and growth.

## 8. Power to Conduct Legal Proceedings

Directors have the authority to initiate or defend legal proceedings on behalf of the company. They can represent the company in court, settle disputes, or pursue legal claims to protect the company's interests.

## 9. Power to Create and Amend Policies

Directors can create, amend, or revoke company policies, including those related to operations, human resources, finance, and corporate governance. These policies ensure the smooth functioning of the company and help in maintaining legal and regulatory compliance.

### Duties of Director:

**Companies Act, 2013** outlines specific duties that directors must perform, ensuring accountability, transparency, and good governance.

### 1. Duty to Act in Good Faith

Directors must act in **good faith** in the best interests of the company, its employees, shareholders, and other stakeholders. They should make decisions that promote the success of the company while considering its long-term goals and sustainability.

### 2. Duty to Act Within Powers

Directors must act within the scope of the powers conferred on them by the company's **Memorandum of Association (MOA)**, **Articles of Association (AOA)**, and relevant laws. They cannot exceed their authority or misuse their powers for personal gain or to harm the company.

### 3. Duty to Exercise Due Care and Diligence

Directors are required to perform their duties with reasonable **care, skill, and diligence**. They should stay informed about the company's operations, financial position, and legal compliance. Negligence or lack of proper attention to company affairs can lead to legal consequences.

### 4. Duty to Avoid Conflicts of Interest

Directors must avoid situations where their personal interests conflict with the interests of the company. Any potential conflict must be disclosed to the board, and the director should not participate in decision-making related to that matter. Transparency in personal dealings ensures trust and integrity.

### 5. Duty Not to Make Undue Gains

Directors should not use their position to make **undue gains or profit** for themselves or their associates. If any undue gain is made, it must be refunded to the company. This duty ensures that directors act selflessly and prioritize the company's welfare over personal benefits.

### 6. Duty to Ensure Compliance

Directors must ensure that the company complies with all applicable **laws and regulations**. This includes compliance with corporate laws, tax regulations, employment laws, and industry-specific rules. Failure to ensure compliance can result in legal penalties for the company and the directors themselves.

### 7. Duty to Attend Board Meetings

Directors have a responsibility to actively participate in **board meetings**. Regular attendance and involvement in board discussions allow directors to stay informed and contribute to decision-making. Non-attendance without valid reasons can be seen as neglect of duty.

### 8. Duty to Maintain Confidentiality

Directors must maintain the **confidentiality** of sensitive information related to the company, its business plans, and financial data. They should not disclose confidential information to third parties or use it for personal benefit.

### 9. Duty to Act in the Best Interest of Minority Shareholders

Directors are responsible for protecting the interests of **minority shareholders**. They must ensure that decisions are made fairly and transparently, without disadvantaging smaller shareholders or acting solely in the interests of the majority.

# Duties & Liabilities & Powers of Directors of the Company

01/03/2020

## Duties

The position of Director of a **Private Limited Company** or **Limited Company** or **One Person Company** comes with certain duties and responsibilities. Many Directors of a Company are unaware of these duties and responsibilities expected of them and hold the position just as a namesake. Our intention with this article is to change that mindset and create awareness about the duties and responsibilities of a Director of a Company. This will in turn help create companies that have a strong and ethical Board of Directors, thereby benefitting all the stakeholders of a company.

### Duty to act in the best interests of the Company

Directors are in a fiduciary position in relation to the company. So the Director must exercise his/her power for the benefit of the company or in the best interest of the company. A Director must also consider the interests of the company supreme and, in any case, above their personal interest. Therefore, a Director acting honestly but not in the best interests of the company is in breach of duty.

***Fiduciary:** A fiduciary is a person who holds a legal or ethical relationship of trust. Typically, a fiduciary prudently takes care of money for another person.*

### Duty NOT to misapply company assets

Directors do not have legal ownership of the company's assets. They only have effective control of them, and they must use them and employ them for the proper purposes of the company, and in the best interests of the company.

### Duty NOT to make secret profits

A Director holds a key position in relation to the company. Therefore, in the course of management of the business, the Director may get confidential and sensitive information concerning the company's business and affairs, or trade secrets. This privileged information cannot be used by the Director for his/her personal benefit and gain to the detriment of the company.

### Duty of confidentiality

Directors would have access to all the relevant information about the operations and financials of a company. However, a Director has a duty to ensure that such information is not, directly or indirectly, divulged. A Director must not disclose or make use of that confidential information for any purpose other than for the benefit of the company.

### Duty to NOT permit conflict of interest

A Director of a company has a duty to not enter into any arrangement which will possibly impair the Director's interest and cause conflict of interest with the Company. A conflict of interest arises when a person is in a position to derive personal benefit from actions or decisions made in their official capacity.

### **Duty to attend meetings**

A Director of a company must make best efforts to attend as many board meetings as circumstances permit. In India, if a Director is absent from three consecutive meetings of the Board, or from all meetings held in three months, whichever is longer, without obtaining leave of absence from the Board, then the Director could lose his/her Directorship in the Company.

### **Duty NOT to exceed powers**

The **Memorandum of Association (MOA) of a Company** states what the company is authorized to do. Whereas, the **Articles of Association (AOA)** of the Company state what powers are given to the Directors of the Company. It is the duty of the Directors to ensure that not only do they keep within the company's powers but also that they keep within the powers actually given to them in the Articles of Association.

### **Liability of directors:**

The liabilities of directors may be discussed under three heads:

#### **1. Liability to outsiders:**

The directors are not personally liable to outsiders if they act within the scope of powers vested in them. The general rule in this regard is that wherever an agent is liable, those directors would be liable, but where the liability would attach to the principal only, the liability is the liability of the company. The directors are personally liable to third parties of contracts in the following cases:

1. They contract with outsiders in their personal capacity
2. They contract as agents of an undisclosed principal
3. They enter into a contract on behalf of a prospective company.
4. When the contract is ultra-vires the company.

In default of statutory duties, the directors shall be personally liable to third parties in the following cases:

1. Mis-statement in prospectus.
2. Irregular allotment.
3. Failure to repay application money if the minimum subscription is not subscribed.
4. Failure to repay application money if allotment of shares and debentures is not dealt in on the stock exchange as provided in the prospectus.

### **Liability to company:**

The directors shall be liable to the company for the following:

**(a) Where they have acted ultra-vires the company.**

It is not necessary to prove fraud in such cases or that they acted bonafide. For example, where they apply the funds of the company to objects not specified in the memorandum of association or when they pay dividends out of capital.

**(b) When they have acted negligently.**

Negligence may give rise to liability; there need not be fraud. But they will not be liable where they have acted bonafide and for the benefit of the company.

**(c) Where there is a breach of trust.**

Directors being the trusted of the company, they should discharge their duties in the best interest of the company; they should discharge their duties in the best interest of the company. Where they commit a breach of trust resulting in a loss to the company. Where they commit a breach of trust resulting in a loss to the company, they are bound to make good the loss. For example, where the directors apply company property of their own benefit they are guilty of breach of trust.

**(d) Misfeasance:**

Directors are liable to the company for misfeasance. The word misfeasance covers willful negligence. Mere failure on the part of the director to take necessary steps for recovery of debts due to the company does not constitute misfeasance. If the company is in the course of winding up, the court may, on the application of the liquidator, creditor or contributory examine in to the conduct of a director for any misfeasance or breach of trust in relation to the company.

**3. Criminal liabilities of directors:**

So far we have dealt with the civil liability of directors. For act of fraud, default in discharging their duties and misdemeanor, the act provides penalties by way of fine or imprisonment. Section 75, 95, 113, 115, 143, 162, 168, 303, etc. impose penalties upon the directors for omitting to company with or contravening certain provisions of the act.

**Power**

The directors are considered as the head and brain of a company. When the brain functions, the company is said to function. For the proper functioning, the directors should be properly entrusted with some powers. The directors generally acquire their powers from the provisions of the Articles of Association and then from the Companies Act.

**1. General Powers of a Company Director**

As per Sec. 291 of the Act, the Board is entitled to exercise all such powers and to do all such acts and things as the company is authorized to do. The exceptions are the acts, which can be done by the company only in the general meetings of the members as required by law.

### **Specific Powers of a Company Director**

1. A) As per Sec. 262, in the case of a public company or a private company, which is a subsidiary of a public company, the power to fill a casual vacancy of directors is to be exercised at a Board meeting.
2. B) As per Sec. 292, the following powers of the company shall be exercised by the Board by means of resolution passed at the meeting of the Board:
  - To make calls,
  - To issue debentures,
  - To borrow moneys by other means,
  - To invest the funds of the company, and
  - To make loans.

The last three powers cannot be delegated to the Manager or to a Committee of Directors but must be exercised only at a Board meeting.

### **3. Powers of Director subject to the Consent of the Company**

The directors of a public company or of a private company can exercise the following powers, which is a subsidiary of a public company only with the consent of the company in the general meeting:

- To sell, lease or otherwise dispose of the undertaking of the company.
- To remit or give time for repayment of any debt due to the company by a director.
- To invest the sale proceeds of any property of the company in securities other than trust securities.
- To borrow moneys where the moneys already borrowed (other than temporary) exceeds the total of the paid-up capital and free reserves of the company.
- To contribute to charities and other funds not directly relating to the business of the company or to the welfare of the employees in any year in excess of Rs.50,000 or 5% of the average net profits of the three preceding financial years whichever is greater.

### **4. Powers of Director subject to the Consent of the Central Government**

A) As per Sec. 268, any provision relating to the appointment or reappointment of a Managing Director can be altered by the Board with the consent of the Central Government.

B) As per Sec. 295, the Board, subject to the Central Government's consent, has the power to appoint a person for the first time as a Managing Director.

C) As per Sec. 295, the Board, only with the previous approval of the Central Government, can make any loan or give any guarantee or provide any security in connection with a loan made by any other person to:

- Any of its directors or any director of its holding company, or
- Any partner or relative of such director, or
- Any firm in which any such director or relative is a partner, or
- Any private company of which any such director is a member or director, or
- Anybody corporate, 25% or more of whose total voting power may be exercised or controlled by any such director or two or more directors together, or
- Anybody corporate, whose Board or Managing director or Manager is accustomed to act in accordance with the directions or instructions of any director or directors of the leading company.

Subject to the approval of the Government, the Board has the power to invest in the shares of another company in excess of the limits specified in Sec. 372.

# Concept of Strategy

05/03/2020

The term 'strategic management' is used to denote a branch of management that is concerned with the development of strategic vision, setting out objectives, formulating and implementing strategies and introducing corrective measures for the deviations (if any) to reach the organization's strategic intent. It has two-fold objectives:

- To gain competitive advantage, with an aim of outperforming the competitors, to achieve dominance over the market.
- To act as a guide to the organization to help in surviving the changes in the business environment.

Here, changes refer to changes in the internal environment, i.e. within the organization, introduced by the managers such as the change in business policies, procedures etc. and changes in the external environment as in changes in the government rules that can affect business, competitors move, change in customer's tastes and preferences and so forth.

## Strategic Management Process



1. Defining the levels of strategic intent of the business:
  - Establishing vision
  - Designing mission
  - Setting objectives
2. Formulation of strategy
  - Performing environmental and organizational appraisal
  - Considering strategies
  - Carrying out strategic analysis
  - Making strategies
  - Preparing strategic plan
3. Implementation of strategy
  - Putting strategies into practice
  - Developing structures and systems
  - Managing behavioural and functional implementation

#### 4. Strategic Evaluation and Control

- Performing evaluation
- Exercising control
- Recreating strategies

Strategic Management is all about specifying organization's vision, mission and objectives, environment scanning, crafting strategies, evaluation and control.

### **Importance of Strategic Management**

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- It guides the company to move in a specific direction. It defines organization's goals and fixes realistic objectives, which are in alignment with the company's vision.
- It assists the firm in becoming proactive, rather than reactive, to make it analyse the actions of the competitors and take necessary steps to compete in the market, instead of becoming spectators.
- It acts as a foundation for all key decisions of the firm.
- It attempts to prepare the organization for future challenges and play the role of pioneer in exploring opportunities and also helps in identifying ways to reach those opportunities.
- It ensures the long-term survival of the firm while coping with competition and surviving the dynamic environment.
- It assists in the development of core competencies and competitive advantage, that helps in the business survival and growth.

The basic purpose of strategic management is to gain sustained-strategic competitiveness of the firm. It is possible by developing and implementing such strategies that create value for the company. It focuses on assessing the opportunities and threats, keeping in mind firm's strengths and weaknesses and developing strategies for its survival, growth and expansion.

### **Strategic Management Levels: Corporate, SBU and Functional Strategies**

In a multi-business enterprise, having several SBUs, there would be three levels of strategy, viz., – corporate strategy, SBU strategy and functional strategy. In enterprises which do not have SBUs, there will be only two levels of strategy, i.e., corporate strategy and functional strategies.

#### **1. Corporate Strategy:**

Corporate strategy is the long-term strategy encompassing the entire organisation. Corporate strategy addresses fundamental questions such as what is the purpose of the enterprise, what business/businesses it wants to be in (portfolio strategy) and how to expand/get into such business/businesses (for example – by establishing greenfield enterprises or by M&As).

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

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

## **2. SBU Strategy:**

SBU-level strategy, sometimes called Business Strategy or Competitive Strategy, is concerned with decisions pertaining to the product mix, market segments and manoeuvring competitive advantages for the SBU.

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

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

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

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

## **3. Functional Strategies:**

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

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

## **Strategic Management Functions**

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- (a) Determination of basic long-term goals and objectives of the organization.
- (b) Adoption of courses of action to achieve organization’s objectives.
- (c) Adopting course of action necessary for allocation of resources.
- (d) Relates formulation of company’s mission, including broad statements about its purpose, philosophy and goals.

- (e) Long-term, future oriented plans for interacting with the competitive environment to achieve company's objectives.
- (f) Developing the company from its present position to the desired future position.
- (g) Top management's decision that directs organization and business towards predetermined goal,
- (h) Carefully crafted plan with a stream of decisions and actions over time.
- (i) Concerned with efficiency i.e. perceiving opportunities and threats and seizing initiatives to cope with them.
- (j) Flows out of goals and objectives of the enterprise and is meant to translate them into realities.
- (k) Recognize which competitor's actions need critical attention.
- (l) Identifies strengths and weaknesses compared with those of its competitors.
- (m) Plan of action that reveals its objectives, purposes, goals, policies and plans that are required in achieving corporate mission.
- (n) Analyze the company's options by matching its resources with the external environment.
- (o) Forward looking and it has orientation towards future.
- (p) Provides an integrated and unified framework for managers, for effective decision making affecting all subsystems in an organization.
- (q) Creates a fit between the organization and its external environment.
- (r) Provides a framework for thinking about the business.
- (s) Pattern in a stream of decisions and actions.
- (t) Commonality of approach that exists in diverse organizational activities including the products and markets that define the current and planned nature of business.
- (u) Way of stating current and desired future position of the company.

# Process of Strategic Management

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20/03/2020

Strategic management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm's performance. The manager must have a thorough knowledge and analysis of the general and competitive organizational environment so as to take right decisions.

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 arising opportunities from the business environment and shouldn't ignore the threats.

Strategic management is nothing but planning for both predictable as well as unforeseeable contingencies. It is applicable to both small as well as large organizations as even the smallest organization faces competition and, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage.

Strategic management is a way in which strategists set the objectives and proceed about attaining them. It deals with making and implementing decisions about future direction of an organization. It helps us to identify the direction in which an organization is moving.

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organisation is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then reevaluates strategies on a regular basis to determine how these have been implemented and whether these were successful or require replacement.

## Strategic Management Process

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Strategic management involves certain functions or activities. The systematic way of doing these functions or activities is described as strategic management process.

It consists of:

Strategy formulation is the first phase in the strategic management process. It is concerned with devising a suitable plan of action after studying the external business environment, analyzing the industry and assessing the internal capabilities of the business concern. It involves six important steps.

The steps to be followed for the formulation of a strategy are explained below:

(i) Defining the Company Mission: The first step in the formulation of a strategy is a clear definition of the mission of the company. This is necessary to formulate an ideal strategy. Otherwise, the strategy will not produce the desired results. An ideal strategy is one which reflects the mission of the company. A mission is the long-term vision of what an organization wants to be and to whom it wants to serve and what impact on the society. The mission is, thus, the basic, unique purpose that differentiates a business from others.

(ii) Analysis of the External Business Environment: The second step in the formulation of a strategy is an analysis of the external business environment. It is concerned with studying or observing what is prevailing in the external business environment and what changes have taken place. Such an assessment is necessary because every incident or change will have either positive or negative impact on the business.

It involves – (a) analysis of remote environment and (b) analysis of operating environment. The external business environment thus provides opportunities or threats to the business concerns. The business concern must formulate a suitable strategy to exploit the opportunities or manage threats depending up on its strengths or weaknesses.

(iii) Analysis of the Industry: The third step in the formulation of a strategy is an analysis of the industry. It involves the examination of certain forces operating in an industry to understand the nature and the degree of competition in that industry. The level of competition in an industry depends on five basic forces which determine the profit potential of an industry. They are (a) the threat of new entrants, (b) The bargaining power of buyers, (c) The bargaining power of suppliers, (d) The threat of substitute products, and (e) Rivalry among the existing firms.

The study of these forces indicates the trend of industry, the strength and weakness of the company in the industry. Such a study will be useful to formulate a suitable strategy to utilize the opportunities or threats.

(iv) Internal Analysis of the Firm: The fourth step in the formulation a strategy is a thorough internal analysis of the firm. It is concerned with a systematic appraisal or examination of the internal capabilities of a firm. Such an appraisal is necessary to know the strengths and weaknesses of the firm in the areas of finance, production, marketing, technology, research and development, and human resource management.

A systematic internal analysis of the firm involves (a) identification of strategic internal factors and (b) evaluation of the strategic internal factors to identify the key strategic strength and weakness. A factor is considered a strength only when a firm has a distinct competency in it than the competitors in the industry.

A factor is considered a weakness only when a firm performs it poorly than the competitors in the industry. A new strategy therefore has been formulated after considering the internal strategic strengths and weaknesses of the firm to utilize the external opportunities or minimize its activities to overcome threats.

(v) Strategic Alternatives: The fifth step in the formulation of a strategy is developing strategic alternatives. They are concerned with identifying other possible ways of achieving the same strategy formulated to utilise external business opportunities or minimise the firm's activities to overcome threats.

For example, growth strategy may be achieved by intensive growth strategy of market penetration, market development, and product development or integrative growth strategy of horizontal integration and vertical integration or diversification strategy depending upon the internal strengths and weaknesses provided the external business environment is favorable.

(vi) Strategic Analysis and Choice: The last step in the formulation of a strategy is strategic analysis and choice. Strategic analysis involves a systematic evaluation of strategic alternatives with reference to certain criteria. Each alternative has its own merits and demerits but all alternatives cannot be equally appropriate.

Strategy implementation is the second phase in the strategic management process. It is concerned with putting the strategy into operation or translating the strategy into strategic action. It necessitates three interrelated activities of

(i) Determination of annual objectives

(ii) Development of specific functional strategies

(iii) Development of policies. For the successful implementation, the strategy must be also institutionalized through structure, leadership, and culture.

Strategy evaluation and control is the last phase in the strategic management process. Strategy evaluation is concerned with examining whether the strategy implemented is working or producing results or accomplishing its objectives or not. Strategic control is concerned with continuous monitoring and tracking the strategy— putting the strategy in the right path or direction.

### **Strategic management process has following five steps:**

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The first step in the strategic management begins with senior managers evaluating their position in relation to the organization's current mission and goals. The mission describes the organization's values and aspirations; and indicates the direction in which senior management is going. Goals are the desired ends sought through the actual operating procedures of the organization. It typically describe short-term measurable outcomes.

Environmental scanning refers to a process of collecting, scrutinizing and providing information for strategic purposes and helps in analyzing the internal and external factors influencing an organization. After executing the process, management should evaluate it on a continuous basis and strive to improve it.

Strategy formulation is the process of deciding best course of action for achieving organizational objectives. After conducting environment scanning process, managers formulate corporate, business and functional strategies.

Strategy implementation implies putting the organization's chosen strategy in to action and making it work as intended. Strategy implementation includes designing the organization's structure, distributing resources, developing decision making process, and effectively managing human resources.

Strategy evaluation which is the final step of strategy management process involves- appraising internal and external factors, measuring performance, and taking remedial/corrective actions. Evaluation assure the management that the organizational strategy as well as its implementation meets the organizational objectives.

These steps are carried by the businesses, in chronological order, when creating a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, so as to make essential changes.

# Formulation of Strategy, Objectives, Steps

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05/03/2020

**Strategy** is a long-term plan of action designed to achieve specific goals and objectives by effectively utilizing resources and responding to a dynamic environment. It guides decision-making, aligns organizational efforts, and provides a framework for gaining competitive advantage. Strategy involves analyzing internal strengths and weaknesses, as well as external opportunities and threats, to ensure sustainable success in achieving the mission and vision of an organization.

## | Objectives of Formulation of Strategy:

### **Define Long-Term Organizational Goals**

One of the primary objectives of strategy formulation is to define clear, realistic, and long-term goals for the organization. These goals serve as the foundation for all business activities and guide decision-making at every level. By identifying what the organization wants to achieve over time—such as market leadership, brand recognition, or revenue growth—strategy formulation provides direction and purpose. It ensures that all departments and employees work collectively toward common objectives, resulting in better coordination, focus, and progress toward the organization's vision and mission.

### **Achieve and Sustain Competitive Advantage**

A major objective of strategy formulation is to help the organization develop and maintain a sustainable competitive advantage in the marketplace. This involves identifying what differentiates the business from its competitors—such as superior quality, lower costs, customer service, or innovation—and building strategies around these strengths. Through competitive analysis and strategic positioning, businesses can anticipate rival moves and respond effectively. Achieving competitive advantage allows a company to attract and retain customers, increase profitability, and gain a stronger foothold in the industry.

### **Align Resources with Strategic Objectives**

Effective strategy formulation ensures that the organization's resources—human, financial, technological, and physical—are optimally allocated and aligned with strategic goals. It involves identifying key priorities and determining where and how resources should be deployed to generate the maximum return. This alignment reduces waste, improves operational efficiency, and ensures that all parts of the business are contributing meaningfully to long-term success. By matching internal capabilities with external opportunities, strategy formulation helps the company utilize its full potential in a focused and productive manner.

### **Adapt to Environmental Changes**

In today's dynamic business environment, adapting to external changes is crucial for survival and success. Strategy formulation enables organizations to scan and analyze the external environment—including political, economic, social, technological, environmental, and legal factors (PESTEL)—and respond with informed strategic decisions. Whether facing shifts in consumer behavior, technological disruption, or regulatory changes, strategy helps the organization stay agile and resilient. This proactive approach minimizes surprises, prepares the organization for uncertainty, and ensures continued relevance in a changing marketplace.

### **Minimize Risk and Uncertainty**

Another essential objective of strategy formulation is risk identification and mitigation. By analyzing internal weaknesses and external threats through tools like SWOT and risk assessments, strategy helps organizations anticipate potential challenges. It enables the development of contingency plans and preventive measures to deal with crises or setbacks. When risks are identified in advance and addressed within the strategic plan, the organization can maintain stability and confidence, even in volatile conditions. This reduces the likelihood of costly disruptions and supports long-term sustainability.

### **Ensure Organizational Growth and Sustainability**

The ultimate aim of strategy formulation is to promote continuous growth and long-term sustainability. This involves entering new markets, launching new products, expanding operations, or adopting innovation to meet evolving customer demands. A well-formulated strategy keeps the organization forward-looking and competitive while maintaining its core values and objectives. It ensures that growth is not just immediate or short-term but is structured in a way that can be sustained over time. This balance between expansion and responsibility is critical for lasting success.

## **| Steps of Formulation of Strategy:**

### **Setting Organizational Objectives**

The first step in strategy formulation is to clearly define the organization's mission, vision, and long-term objectives. These objectives serve as a guiding force for the entire strategic planning process. They must be specific, measurable, achievable, relevant, and time-bound (SMART). This step ensures that everyone in the organization understands the desired direction and purpose, and it sets a foundation for aligning resources, activities, and decisions with the overall goals of the enterprise.

### **Environmental Scanning and Analysis**

Environmental scanning involves assessing both the internal and external environments of the organization. Internal analysis focuses on strengths and weaknesses (resources, capabilities, processes), while external analysis looks at opportunities and threats (market trends, competitors, regulations, economy). Tools like SWOT, PESTEL, and Porter's Five

Forces are commonly used. This step is essential to understand the strategic position of the company and identify factors that influence its success or failure in the competitive marketplace.

### **Identifying Strategic Alternatives**

Based on the analysis, the next step is to identify and generate a range of possible strategic alternatives. These could include market expansion, product development, diversification, cost leadership, or differentiation strategies. Each alternative must be aligned with the organization's goals and must respond effectively to internal strengths and external opportunities while mitigating weaknesses and threats. The objective is to develop feasible, competitive, and creative options that can address the firm's strategic challenges and help it achieve sustainable growth.

### **Evaluating Strategic Alternatives**

Once alternatives are identified, they must be critically evaluated to determine their suitability, feasibility, and acceptability. This includes assessing the potential benefits, risks, costs, and alignment with organizational capabilities and external conditions. Quantitative tools like cost-benefit analysis or decision matrices may be used, along with qualitative judgment. The evaluation helps in selecting the most effective and realistic strategy that provides the best chance of achieving objectives and maintaining a competitive advantage in the long term.

### **Selecting the Best Strategy**

After evaluation, the most suitable strategy is selected. This choice is based on how well it aligns with the company's vision, mission, goals, and resource capabilities, as well as its ability to respond to external challenges. The chosen strategy must also be acceptable to stakeholders and capable of delivering the desired outcomes with minimal risk. Selection is a critical decision as it forms the basis of future actions and affects every part of the organization's operations and structure.

### **Implementation Planning**

Once the strategy is selected, a detailed implementation plan is created. This involves developing action steps, allocating resources, setting timelines, assigning responsibilities, and establishing performance indicators. Communication of the strategy across all organizational levels is crucial to ensure understanding and commitment. Proper planning bridges the gap between strategy and execution and prepares the organization to convert strategic decisions into concrete results. This step ensures a structured and coordinated effort toward achieving strategic objectives.

### **Monitoring and Evaluation**

The final step is to monitor progress and evaluate the effectiveness of the implemented strategy. Key performance indicators (KPIs) and feedback mechanisms are used to track results against the set objectives. Continuous monitoring helps identify deviations or obstacles and allows for timely corrective actions. Evaluation ensures that the strategy remains relevant and adaptive to changing internal and external conditions. Strategic control systems must be flexible enough to support continuous improvement and strategic learning.

# Environmental Scanning, Importance, Factors, Technique

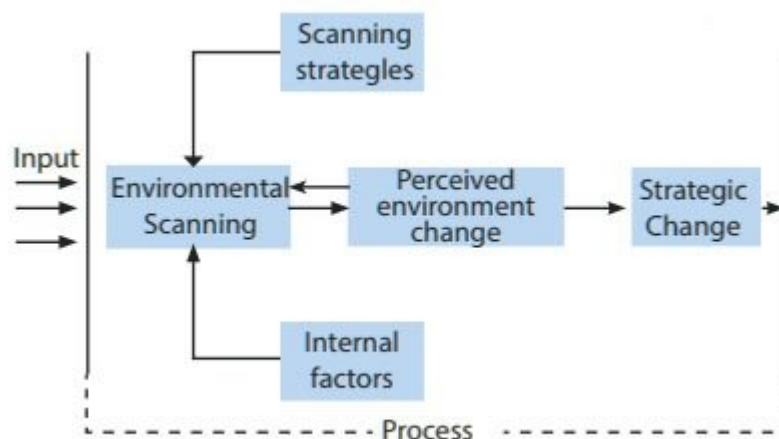
20/03/2020

Environmental Scanning is the process of gathering information about events and their relationships within an organization's internal and external environments. The basic purpose of environmental scanning is to help management determine the future direction of the organization.

Every organization has an internal and external environment. In order for the organization to be successful, it is important that it scans its environment regularly to assess its developments and understand factors that can contribute to its success. Environmental scanning is a process used by organizations to monitor their external and internal environments.

The purpose of the scan is the identification of opportunities and threats affecting the business for making strategic business decisions. As a part of the environmental scanning process, the organization collects information regarding its environment and analyzes it to forecast the impact of changes in the environment. This eventually helps the management team to make informed decisions.

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As seen from the figure above, environmental scanning should primarily identify opportunities and threats in the organization's environment. Once these are identified, the organization can create a strategy which helps in maximizing the opportunities and minimizing the threats. Before looking at the important factors for environmental scanning, let's take a quick peek at the components of an organization's environment.

## | Importance of Environmental Scanning

### 1. SWOT Analysis

As we saw previously in the environmental scanning meaning, it is a complex process. The close study of the internal and external environment of an organization will reveal some very valuable information, i.e. the strengths, weaknesses, opportunities, and threats of a company.

Let us take a brief look.

- **Strength:** After analysis of the internal environment of a company, we will be able to identify the strengths that give the company a competitive advantage. The entrepreneur can use this information to maximise these strengths and earn more profits.
- **Weakness:** Study of the internal environment also point out the weaknesses of the company. For the growth and stability of the company, these identified weaknesses must be corrected without delay.
- **Opportunity:** Analysis of the external environment helps with the identification of possible opportunities. The entrepreneur can prepare to capitalize on these.
- **Threats:** Analysis of the external environment will also help in the identification of any business threats from competitors or any other factors. The company can come up with a strategy to diffuse such threats or minimize its impact.

### 2. Best Use of Resources

Environmental scanning helps us conduct a thorough analysis and hence leads to the optimum utilization of resources for the business. Whether it is capital resources, human resources or other factors of production, their best use and utilization is very important for any business. Environmental scanning will help us avoid any wastages and allow for the most effective and economical use of these resources.

### 3. Survival and Growth of the Business

It is a very competitive world and for any business to survive and thrive it is a difficult task. But if the business employs all the techniques of environmental scanning it can gain a significant advantage. It will allow the firm to prepare for future threats and opportunities while at the same time eliminating their weaknesses and improving on their strengths.

### 4. Planning for Long Term

A business must have a plan for both short term and long term. The planning of long-term objectives can only occur after proper analysis and environmental scanning meaning. This will help the entrepreneur plan the necessary business strategy.

### 5. Helps in Decision Making

Decision making is the choice of the best alternative done by management. Environmental scanning allows the firm to make the best decision keeping in mind the success and growth of the business. They point out all the threats and weaknesses. And they also identify the strengths of the firm.

## | **Important Factors for Environmental Scanning**

### **Events**

These are specific occurrences which take place in different environmental sectors of a business. These are important for the functioning and/or success of the business. Events can occur either in the internal or the external environment. Organizations can observe and track them.

### **Trends**

As the name suggests, trends are general courses of action or tendencies along which the events occur. They are groups of similar or related events which tend to move in a specific direction. Further, trends can be positive or negative. By observing trends, an organization can identify any change in the strength or frequency of the events suggesting a change in the respective area.

### **Issues**

In wake of the events and trends, some concerns can arise. These are Issues. Organizations try to identify emerging issues so that they can take corrective measures to nip them in the bud. However, identifying emerging issues is a difficult task. Usually, emerging issues start with a shift in values or change in which the concern is viewed.

### **Expectations**

Some interested groups have demands based on their concern for issues. These demands are Expectations.

## | **Business Environment Scanning Techniques:**

### **SWOT Analysis:**

Assessing Strengths, Weaknesses, Opportunities, and Threats helps in understanding internal capabilities and external factors affecting the business.

### **PESTLE Analysis:**

Examining Political, Economic, Social, Technological, Legal, and Environmental factors provides a comprehensive view of the external environment.

### **Market Research:**

Gathering data on market trends, customer preferences, and competitor activities through surveys, interviews, and data analysis helps in understanding the market dynamics.

### **Competitor Analysis:**

Analyzing competitors' strategies, strengths, weaknesses, and market positioning provides insights into competitive threats and opportunities.

### **Scenario Planning:**

Developing scenarios of possible future events and assessing their potential impact on the business helps in preparing for different eventualities.

### **Benchmarking:**

Comparing the organization's performance and practices with industry standards and best practices helps in identifying areas for improvement and staying competitive.

### **Trend Analysis:**

Tracking long-term trends in technology, consumer behavior, regulatory changes, etc., helps in anticipating future developments and adapting the business strategy accordingly.

### **Industry Reports and Publications:**

Keeping abreast of industry reports, market studies, and relevant publications provides valuable insights into industry trends, challenges, and opportunities.

### **Networking:**

Engaging with industry experts, attending conferences, and participating in industry forums helps in staying informed about the latest developments and building valuable connections.

### **Technology Monitoring:**

Monitoring technological advancements relevant to the business helps in identifying opportunities for innovation and potential disruptions.

### **Global Analysis:**

Understanding global economic trends, geopolitical developments, and international trade policies helps in assessing global opportunities and risks.

### **Regulatory Analysis:**

Keeping track of changes in regulations and compliance requirements helps in identifying potential regulatory risks and opportunities.

### **Consumer Feedback:**

Gathering feedback from customers through surveys, reviews, and social media helps in understanding customer preferences and improving products or services.

**Internal Reports and Feedback:**

Leveraging internal data and feedback from employees, managers, and stakeholders helps in identifying internal strengths, weaknesses, and areas for improvement.

**Environmental Scanning Tools:**

Utilizing specialized software and tools for environmental scanning, such as automated news aggregators, social media monitoring tools, and data analytics platforms, helps in efficiently gathering and analyzing relevant information.

# Components of environment & Environmental analysis

05/03/2020

Environmental Analysis is described as the process which examines all the components, internal or external, that has an influence on the performance of the organization. The internal components indicate the strengths and weakness of the business entity whereas the external components represent the opportunities and threats outside the organization.

To perform environmental analysis, a constant stream of relevant information is required to find out the best course of action. Strategic Planners use the information gathered from the environmental analysis for forecasting trends for future in advance. The information can also be used to assess operating environment and set up organizational goals.

It ascertains whether the goals defined by the organization are achievable or not, with the present strategies. If is not possible to reach those goals with the existing strategies, then new strategies are devised or old ones are modified accordingly.



**Some of the features or characteristics of Environmental Analysis are:**

- **Holistic View:** Environmental Analysis is a holistic exercise in the sense that it must comprise a total view of the environment rather than viewing a trend piecemeal. The corporate must scan the circumference of its environment in order to minimize the chances of surprises and to maximize its utility.

- **Continuous Process:** The analysis of environment must be a continuous process rather than being an intermittent scanning system. It must operate continuously in order to keep track of the rapid pace of development. So, Environmental analysis becomes essential due to the dynamic nature of the environment.
- **Exploratory Process:** While the Monitoring aspect of the environment is concerned with the present development, a large part of the process seeks to explore the unknown dimensions of possible future. The analysis emphasizes on “**What could happen**” and not necessarily “**What will happen.**”

### **The Importance of Environmental Analysis are:**

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- **First Mover Advantage:** Awareness of environment helps an enterprise to take advantage of early opportunities instead of losing them to competitors. **For instance**, Maruti Udyog became the leader in the small car market because it was the first to recognize the need for small cars on account of rising Middle class.
- **Early Warning Signal:** Environmental awareness serves as an early warning signal. It makes a firm aware of the impending threat or crisis, so that the firm can take timely action to minimize the adverse effects if any. **For instance**, A MNC entering in to the Indian market would act as a early warning signal for Indian Firms.
- **Focus On Customer:** Environmental Understanding makes the management or Business organization sensitive towards the changing needs and expectations of customer. **For instance**, Several FMCG companies have launched small sachets of shampoo and other products realizing the wishes of customers.
- **Strategy Formulation:** Environmental Monitoring provides relevant information about the business environment. such information serves as the basis for strategy formulation. **For Instance**, ITC realized that there is a vast scope for growth in the travel and tourism industry in India and therefore ITC planned New hotels in India.
- **Change Agent:** Business leaders acts as the agents of change. They create a drive for change at the grassroot level. In order to decide the direction and nature of change, the leaders need to understand the aspirations of people and other environmental forces through Environmental Scanning.
- **Public Image:** A business firm can improve its image by showing that it is sensitive to its environment and responsive to the aspirations of public. Environmental understanding enables the business to be responsive to their environment.
- **Continuous Learning:** Environmental analysis keeps the organization in touch with the changing scenario so that they are never caught unaware. With the help of Environmental learning, managers can react in an appropriate manner and thereby increase the success of their organization.

### **The Process of Environmental Analysis/Scanning consists of the following steps:**

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- **Environmental Scanning:** It means the process of analyzing the environment for identifying the factors which may influence the business. Environmental Scanning alerts an organization to potentially significant forces in the external environment, so that suitable strategic initiatives may be taken before the organization reaches to a critical situation.

- **Environmental Monitoring:** At this stage, the information from the relevant environment is collected. Once this information is collected, adequate data is gathered so as to find out the patterns and trends of the environment. Further Monitoring is a follow up and deeper analysis of environmental forces. Several techniques such as company records, spying, publication and verbal talks with the customers, employees, dealers and suppliers are the main sources of collecting data.
- **Environmental Forecasting:** Environmental Forecasting is the process of estimating the events of future based on the analysis of past records and present behavior. Further it is necessary to analyze or anticipate the future events before any strategic plans are formulated. Forecasts are made for economic, social and political factors. Several techniques such as Time series, Graph method, Delphi method etc. are used for this purpose.
- **Assessment Or Diagnosis:** At this stage, Environmental factors are assessed in terms of their impact on the organization. Some factors in the environment may entail an opportunity while others may pose a threat to the organization. For this purpose, SWOT analysis and ETOP analysis are used.

## Advantages of Environmental Analysis

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The internal insights provided by the environmental analysis are used to assess employee's performance, customer satisfaction, maintenance cost, etc. to take corrective action wherever required. Further, the external metrics help in responding to the environment in a positive manner and also aligning the strategies according to the objectives of the organization.

Environmental analysis helps in the detection of threats at an early stage, that assist the organization in developing strategies for its survival. Add to that, it identifies opportunities, such as prospective customers, new product, segment and technology, to occupy a maximum share of the market than its competitors.

## Steps Involved in Environmental Analysis

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1. **Identifying:** First of all, the factors which influence the business entity are to be identified, to improve its position in the market. The identification is performed at various levels, i.e. company level, market level, national level and global level.
2. **Scanning:** Scanning implies the process of critically examining the factors that highly influence the business, as all the factors identified in the previous step effects the entity with the same intensity. Once the important factors are identified, strategies can be made for its improvement.
3. **Analysing:** In this step, a careful analysis of all the environmental factors is made to determine their effect on different business levels and on the business as a whole. Different tools available for the analysis include benchmarking, Delphi technique and scenario building.
4. **Forecasting:** After identification, examination and analysis, lastly the impact of the variables is to be forecasted.

Environmental analysis is an ongoing process and follows a holistic approach, that continuously scans the forces effecting the business environment and covers 360 degrees of the horizon, rather than a specific segment.

# Environmental Appraisal, Characteristics, Components

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19/08/2020

**Environmental Appraisal** is the process of evaluating both the internal and external environments of an organization to identify factors that influence its performance, opportunities, and threats. It helps managers understand the dynamics of the business environment, enabling informed strategic decisions. Internal appraisal focuses on strengths and weaknesses such as resources, capabilities, and organizational culture. External appraisal includes analysis of political, economic, social, technological, environmental, and legal (PESTEL) factors, as well as competitors and market trends. The goal is to align strategies with the environmental context to gain competitive advantage and ensure long-term sustainability. It is a critical step in the strategic management process.

## | Characteristics of Environmental Appraisal:

### **Comprehensive in Nature**

Environmental appraisal is a comprehensive process as it takes into account a wide range of internal and external factors that affect an organization. Internally, it examines aspects like resources, strengths, weaknesses, culture, and capabilities. Externally, it assesses factors such as economic trends, competitors, customer preferences, government policies, and technological advancements. This broad scope ensures that strategic decisions are not made in isolation but are based on a full understanding of the environment in which the organization operates. A holistic view increases the effectiveness and relevance of the strategies developed.

### **Continuous and Dynamic Process**

The business environment is constantly changing due to shifts in market trends, regulations, technologies, and consumer behavior. Hence, environmental appraisal is not a one-time activity but a continuous and dynamic process. Organizations must regularly monitor environmental changes and update their analysis to remain competitive and adaptive. This ongoing approach allows companies to anticipate challenges, identify new opportunities, and stay aligned with evolving conditions. A dynamic appraisal process enables proactive strategy formulation rather than reactive problem-solving, contributing to the long-term sustainability and growth of the business.

### **Future-Oriented**

Environmental appraisal is inherently future-oriented as it aims to forecast possible environmental conditions and trends that may affect the organization. Rather than focusing solely on current or past events, it emphasizes anticipating future developments in areas such as market demand, competitor moves, technological innovation, and regulatory frameworks. This forward-looking perspective helps decision-makers prepare

strategic responses in advance, reducing risk and enhancing competitiveness. By understanding what might happen in the future, organizations can better position themselves to seize opportunities and avoid potential threats.

### **Decision-Support Tool**

One of the key characteristics of environmental appraisal is its role as a decision-support tool in strategic management. It provides valuable data, insights, and interpretations that guide top management in setting objectives, choosing strategies, and allocating resources. By reducing uncertainty and highlighting critical issues, environmental appraisal improves the quality of decision-making. It helps ensure that strategic choices are realistic, feasible, and aligned with the external environment and internal capabilities. This leads to more informed, confident, and effective strategic decisions at every level of the organization.

### **Involves Use of Analytical Tools**

Environmental appraisal makes extensive use of analytical tools and techniques to structure and simplify complex data. Commonly used tools include **SWOT analysis**, **PESTEL analysis**, **Porter's Five Forces**, **ETOP (Environmental Threat and Opportunity Profile)**, and **value chain analysis**. These tools help in identifying patterns, relationships, and critical success factors within the environment. They also help in prioritizing issues based on their potential impact on the organization. The use of structured analytical methods enhances the objectivity and depth of the appraisal, making it more actionable and insightful.

### **Context-Specific and Customized**

Environmental appraisal is not a one-size-fits-all process—it must be tailored to the specific context of the organization. Factors such as industry type, size of the business, geographic location, customer base, and strategic goals influence how the environment should be appraised. A customized approach ensures that the appraisal reflects the unique challenges and opportunities facing a particular organization. For example, a tech startup may focus more on innovation and technological trends, while a manufacturing firm might prioritize supply chain and regulatory issues. Contextual relevance makes the appraisal more practical and meaningful.

## **| Components of Environmental Appraisal:**

### **1. External Environment**

The external environment includes all factors outside the organization that can impact its performance but are generally beyond its direct control.

#### **a. Micro Environment**

These are close environmental forces that directly affect an organization's ability to serve its customers.

- **Customers** – Changing preferences and expectations.
- **Competitors** – Rival firms, their strategies, and market positioning.
- **Suppliers** – Availability and cost of inputs.
- **Intermediaries** – Distributors, agents, and retailers.
- **Public** – Media, local communities, and pressure groups.

#### b. Macro Environment

These are broader societal forces that impact the entire industry.

- **Political Factors** – Government policies, stability, taxation.
- **Economic Factors** – Inflation, exchange rates, economic growth.
- **Social Factors** – Demographics, culture, education, lifestyle trends.
- **Technological Factors** – Innovations, R&D, tech disruptions.
- **Environmental Factors** – Climate change, sustainability norms.
- **Legal Factors** – Laws, regulations, compliance requirements.

## 2. Internal Environment

These are elements within the organization that affect its operations and strategic capabilities.

#### a. Organizational Resources

- **Human Resources** – Skills, motivation, leadership, culture.
- **Financial Resources** – Capital availability, budgeting, investment strength.
- **Physical Resources** – Infrastructure, machinery, technology in use.
- **Information Resources** – Data systems, knowledge management, intellectual property.

#### b. Functional Capabilities

- **Marketing Capability** – Branding, promotion, market reach.
- **Operational Efficiency** – Production quality, process innovation.
- **Research & Development** – Innovation pipeline, patents.
- **Strategic Leadership** – Vision, decision-making, adaptability.

- **Corporate Culture** – Values, ethics, communication flow.

### 3. Industry Environment

Focused specifically on the competitive dynamics within an industry.

- **Industry Structure** – Size, maturity, barriers to entry.
- **Porter's Five Forces** – Rivalry, buyer power, supplier power, threat of substitutes, threat of new entrants.
- **Strategic Group Analysis** – Classification of competitors with similar strategies.

### 4. Global Environment

For businesses operating internationally, global factors are also crucial.

- **Global Economic Trends** – Recession, recovery, interest rates.
- **Geopolitical Factors** – Wars, alliances, trade restrictions.
- **Global Technological Development** – Worldwide innovation shifts.
- **International Trade Policies** – Tariffs, WTO rules, free trade agreements.

# Core Competence, Dimensions, Examples, Industry

20/03/2020

The Concept of Core Competence, introduced by C.K. Prahalad and Gary Hamel in their seminal 1990 work, refers to a set of unique abilities or strengths that a company possesses, distinguishing it from competitors and providing a competitive advantage. Core competencies are fundamental knowledge, abilities, or expertise in a specific area that enable a company to deliver unique value to customers. These are not just individual skills or technologies but involve the integration of various capabilities across the organization that allow it to innovate or excel efficiently. Core competencies are hard for competitors to imitate and are crucial in developing new products and services. They underpin the company's growth, helping to sustain long-term strategic advantages by fostering adaptability and innovation.

## | Dimensions of Core Competence:

Core competence, a concept developed by C.K. Prahalad and Gary Hamel, represents fundamental capabilities or advantages that are central to a company's competitiveness and success. Understanding the dimensions of core competence can help organizations focus on developing these critical areas effectively.

### 1. Value:

Core competencies must enable the company to deliver value to customers that is superior to that offered by competitors. This value can come in the form of lower prices, enhanced product features, greater durability, or improved service. The end result should be a significant advantage in the customer's eyes that sways their choice towards your company.

### 2. Rarity:

The competencies should be unique to the organization; they should not be easily found among competitors. This rarity makes the competencies more valuable and harder for competitors to imitate, providing a sustained competitive advantage.

### 3. Inimitability:

A true core competence should be difficult for competitors to imitate. This could be due to complex historical conditions, unique combinations of skills, or corporate culture that is deeply embedded in the organization. The more difficult it is for others to replicate these competencies, the more sustainable the advantage.

### 4. Non-substitutability:

There should be no close substitute competencies available for competitors to adopt. When a core competence provides such unique and integral value that cannot be replaced with something else or circumvented through alternative strategies, it solidifies

its importance.

### **5. Breadth of Application:**

Core competencies should be versatile and applicable to a variety of products and markets. This flexibility allows the company to leverage its competencies across different areas, leading to new opportunities for growth and expansion.

### **6. Integration:**

Core competencies often arise from the integration of various skills, technologies, and processes across different parts of the organization. This integration is crucial because it creates a coordinated and coherent capability that is much harder to dissect and imitate.

### **| Examples of Core Competence:**

#### **Apple's Design and Innovation:**

Apple's core competence lies in its exceptional design and innovative capabilities. This includes not just product design but also its software integration, user interface, and ecosystem (iTunes, App Store, iCloud), all of which offer a seamless user experience.

#### **Amazon's Logistics and Distribution:**

Amazon has developed a sophisticated logistics and distribution system that enables it to deliver goods faster and more efficiently than its competitors. This system is supported by advanced technology, including AI and robotics, in its fulfillment centers.

#### **Toyota's Lean Manufacturing:**

Toyota's production system, known as lean manufacturing or the Toyota Production System (TPS), emphasizes efficiency, quality, and continuous improvement. This system minimizes waste and enhances productivity, setting industry standards for manufacturing and operational excellence.

#### **Coca-Cola's Branding:**

Coca-Cola's core competence is its powerful branding and global marketing strategies. The brand is universally recognized, and its marketing efforts have successfully cultivated a strong emotional connection with consumers worldwide.

#### **Google's Search Algorithm:**

Google's core competence lies in its search algorithm, which is continually refined to deliver faster and more accurate search results than its competitors. This technological expertise has kept Google at the forefront of the search engine market.

#### **Disney's Storytelling and Character Franchising:**

Disney excels in storytelling, character creation, and entertainment experience. This competence has not only made its films successful but also supports its theme parks, merchandise, and a broad range of entertainment offerings.

### **Nike's Brand Innovation and Marketing in Sports:**

Nike's core competence lies in its innovative sports products and its marketing prowess. Nike continuously innovates in the design and functionality of its sportswear while maintaining a strong brand presence through celebrity endorsements and global marketing campaigns.

#### **| Core Competence by Industry:**

##### **1. Technology Industry:**

In the technology sector, a core competence might be in product innovation and rapid technology development. Companies like Apple and Google excel in creating cutting-edge technologies and integrating them into user-friendly products and services. Additionally, data management and advanced analytics are becoming crucial competencies as businesses increasingly rely on big data to drive decisions.

##### **2. Pharmaceutical Industry:**

In pharmaceuticals, core competencies often lie in research and development (R&D) capabilities and regulatory expertise. The ability to develop new drugs and navigate complex regulatory environments efficiently is vital. Companies like Pfizer and Johnson & Johnson thrive by consistently developing innovative drugs and maintaining rigorous compliance standards.

##### **3. Retail Industry:**

For retailers, a key core competence can be supply chain management and customer relationship management. Amazon excels in logistics and distribution, enabling it to deliver a wide range of products quickly and efficiently. Walmart, on the other hand, combines its supply chain mastery with large-scale purchasing power to offer low prices.

##### **4. Automotive Industry:**

Automakers like Toyota and Tesla exhibit core competencies in manufacturing efficiency and technological innovation, respectively. Toyota's lean manufacturing system minimizes waste and maximizes efficiency, while Tesla's expertise in electric vehicles and battery technology sets it apart.

##### **5. Financial Services:**

In finance, core competencies might include risk management and customer service. Banks like JPMorgan Chase are adept at managing financial risks and offering diversified financial services, whereas investment firms might focus on market analysis and

investment strategy expertise.

#### **6. Entertainment and Media:**

Companies in this sector, like Disney and Netflix, often focus on content creation and distribution as their core competencies. Disney's strength lies in storytelling and character franchising, while Netflix excels at content personalization and distribution through its streaming platform.

#### **7. Hospitality Industry:**

For hospitality businesses such as Marriott or Hilton, core competencies include superior customer service and effective property management. The ability to provide a consistently high-quality customer experience across various global locations is crucial.

#### **8. Aerospace and Defense:**

Companies like Boeing and Lockheed Martin focus on technological innovation in aerospace engineering and defense systems. Competencies include advanced R&D, systems integration, and project management for complex aerospace projects.

# Concept of Competency and Competence, Competence v/s Competency

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20/12/2021

## Competency

Competency is the capability to apply or use the set of related knowledge, skills, and abilities required to successfully perform 'critical work functions' or tasks in a defined work setting. Competencies often serve as the basis for skill standards that specify the level of knowledge, skills, and abilities required for success in the workplace as well as potential measurement criteria for assessing competency attainment. Competence is a measure of both proven skills and proven knowledge.

## Approaches

- Assessment is the formal process of collecting evidence of the competencies (skills and knowledge) a worker has developed through:
  - A structured learning environment
  - On-the-job training
  - Off-the-job training
  - Other relevant workplace experience.

## Recognition of prior learning (RPL)

RPL is an assessment pathway to confirm the skills and knowledge that a worker has gained previously through informal or non-formal training, or through life or other work experiences. For example, if a worker has been trained and worked on a piece of plant for several years, but for some reason has never been assessed, the RPL assessment process could be used.

The evidence supplied and assessed for RPL must be valid, sufficient, current and authentic. RPL should never bypass or shortcut the assessment process. It is a means to acknowledge that sufficient evidence has been collected to verify competence.

## Recognition of current competency (RCC)

RCC is an assessment pathway for workers who have previously completed an assessment, been deemed competent, and are now required to be reassessed to ensure that competence has been maintained. For example, a worker previously been assessed as competent for issuing work permits on a company's mine site, may be assessed by RCC when they start work on another mine site of the same company using an identical work permit system.

The evidence supplied and assessed for RCC must be valid, sufficient, current and authentic.

## **Online and electronic training and assessment**

The department does not endorse any specific e-learning technologies for training and assessment. In general, best practice should consider the following.

### **Participants developing an e-learning community**

The e-learning environment should facilitate communication among the participants so that they develop as a student community. Students should also be able to interact easily with their instructors.

### **Establish how the e-learning environment operates**

Students should receive an orientation so they understand how the e-learning environment will operate. The instructor should establish the standards expected for submitted work. Submission deadlines for assignments and delivery methods must be clear.

### **Incorporate different kinds of learning activities**

It is important to incorporate activities that are more interactive, as well as research projects. For example, use webinars (live courses or seminars over the internet) as well as offline coursework.

## **Competence**

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Competence is the set of demonstrable characteristics and skills that enable and improve the efficiency or performance of a job. The term “Competence” first appeared in an article authored by R.W. White in 1959 as a concept for performance motivation. In 1970, Craig C. Lundberg defined the concept in “Planning the Executive Development Program”. The term gained traction when in 1973, David McClelland wrote a seminal paper entitled, “Testing for Competence Rather Than for Intelligence”. It has since been popularized by Richard Boyatzis and many others, such as T.F. Gilbert (1978) who used the concept in relationship to performance improvement. Its use varies widely, which leads to considerable misunderstanding.

Some scholars see “Competence” as a combination of practical and theoretical knowledge, cognitive skills, behavior and values used to improve performance; or as the state or quality of being adequately or well qualified, having the ability to perform a specific role. For instance, management competency might include systems thinking and emotional intelligence, and skills in influence and negotiation.

Studies on competency indicate that competency covers a very complicated and extensive concept, and different scientists have different definitions of competency. In 1982, Zemek conducted a study on the definition of competence. He interviewed several specialists in the field of training to evaluate carefully what makes competence. After the interviews, he concluded: “There is no clear and unique agreement about what makes competency.”

Here are several definitions of competency by various researchers:

- Hayes (1979): Competences generally include knowledge, motivation, social characteristic and roles, or skills of one person in accordance with the demands of organizations of their clerks.
- Boyatzis (1982): Competence lies in the individual's capacity which superposes the person's behavior with needed parameters as the results of this adaptation make the organization to hire him.
- Albanese (1989): Competences are individual's characteristics which are used to effect on the organization's management.
- Woodruff (1991): Competence is a combination of two topics of personal competence and merit at work. Personal merit is a concept which refers to the dimensions of artificial behavior in order to show the competence performance and merit at work depends on the competences of the person in his field.
- Mansfield (1997): The personal specifications which effect on a better performance are called competence.
- Standard (2001) ICB (IPMA Competence Baseline): Competence is a group of knowledge, personal attitudes, skills and related experiences which are needed for the person's success.
- Rankin (2002): A collection of behaviors and skills which people are expected to show in their organization.
- Unido (United Nations Industrial Development Organization) (2002): Competence is defined as knowledge, skill and specifications which can cause one person to act better, not considering his special proficiency in that job.
- Industrial Development Organization of United States (2002): Competences are a collection of personal skills related to knowledge and personal specifications which can make competence in people without having practices and related specialized knowledge.
- CRNBC (College Of Registered Nurses Of British Columbia) (2009): Competences are a collection of knowledge, skills, behavior and power of judging which can cause competence in people without having enough practice and specialized knowledge.
- Hay group (2012): Measurable characteristics of a person which are related to efficient actions at work, organization and special culture.
- Chan and her team (the University of Hong Kong) (2017, 2019): Holistic competency is an umbrella term inclusive of different types of generic skills (e.g. critical thinking, problem-solving skills), positive values, and attitudes (e.g. resilience, appreciation for others) which are essential for students' life-long learning and whole-person development.
- The ARZESH Competency Model (2018): Competency is a series of knowledge, abilities, skills, experiences and behaviors, which leads to the effective performance of individual's activities. Competency is measurable and could be developed through training. It is also breakable into the smaller criteria.

Competency has multiple different meanings, and remains one of the most diffuse terms in the management development sector, and the organizational and occupational literature.

Competencies are also what people need to be successful in their jobs. Job competencies are not the same as job task. Competencies include all the related knowledge, skills, abilities, and attributes that form a person's job. This set of context-specific qualities is correlated with superior job performance and can be used as a standard against which to measure job performance as well as to develop, recruit, and hire employees.

Competencies and competency models may be applicable to all employees in an organization or they may be position specific. Identifying employee competencies can contribute to improved organizational performance. They are most effective if they meet several critical standards, including linkage to, and leverage within an organization's human resource system.

Core competencies differentiate an organization from its competition and create a company's competitive advantage in the marketplace. An organizational core competency is its strategic strength.

Competencies provide organizations with a way to define in behavioral terms what it is that people need to do to produce the results that the organization desires, in a way that is in keep with its culture. By having competencies defined in the organization, it allows employees to know what they need to be productive. When properly defined, competencies, allows organizations to evaluate the extent to which behaviors employees are demonstrating and where they may be lacking. For competencies where employees are lacking, they can learn. This will allow organizations to know potentially what resources they may need to help the employee develop and learn those competencies. Competencies can distinguish and differentiate your organization from your competitors. While two organizations may be alike in financial results, the way in which the results were achieve could be different based on the competencies that fit their particular strategy and organizational culture. Lastly, competencies can provide a structured model that can be used to integrate management practices throughout the organization. Competencies that align their recruiting, performance management, training and development and reward practices to reinforce key behaviors that the organization values.

### **Competence v/s Competency**

	<b>Competence</b>	<b>Competency</b>
Definition	It refers to the capability of an individual to carry out a particular task.	It focuses on the performance that an individual showcases in having completed a particular task.

Basis	It is skill-based.	It is behavior-based.
Characteristics	Its characteristics include skills like communication, leadership, etc., and knowledge.	Its characteristics include a person's behavioral attributes like confidence, determination, honesty, etc.
Assessment	It assesses the standard of performance that a person shows.	It assesses the behavior and way in which the standard has been achieved by a person.
Usage	Competence can be used in casual as well as formal situations.	Competency is mostly used in professional jargon.