Sanjay Khemka Classes
Moulding Lives....

CA INTER

SM

AMENDMENT

NOTES

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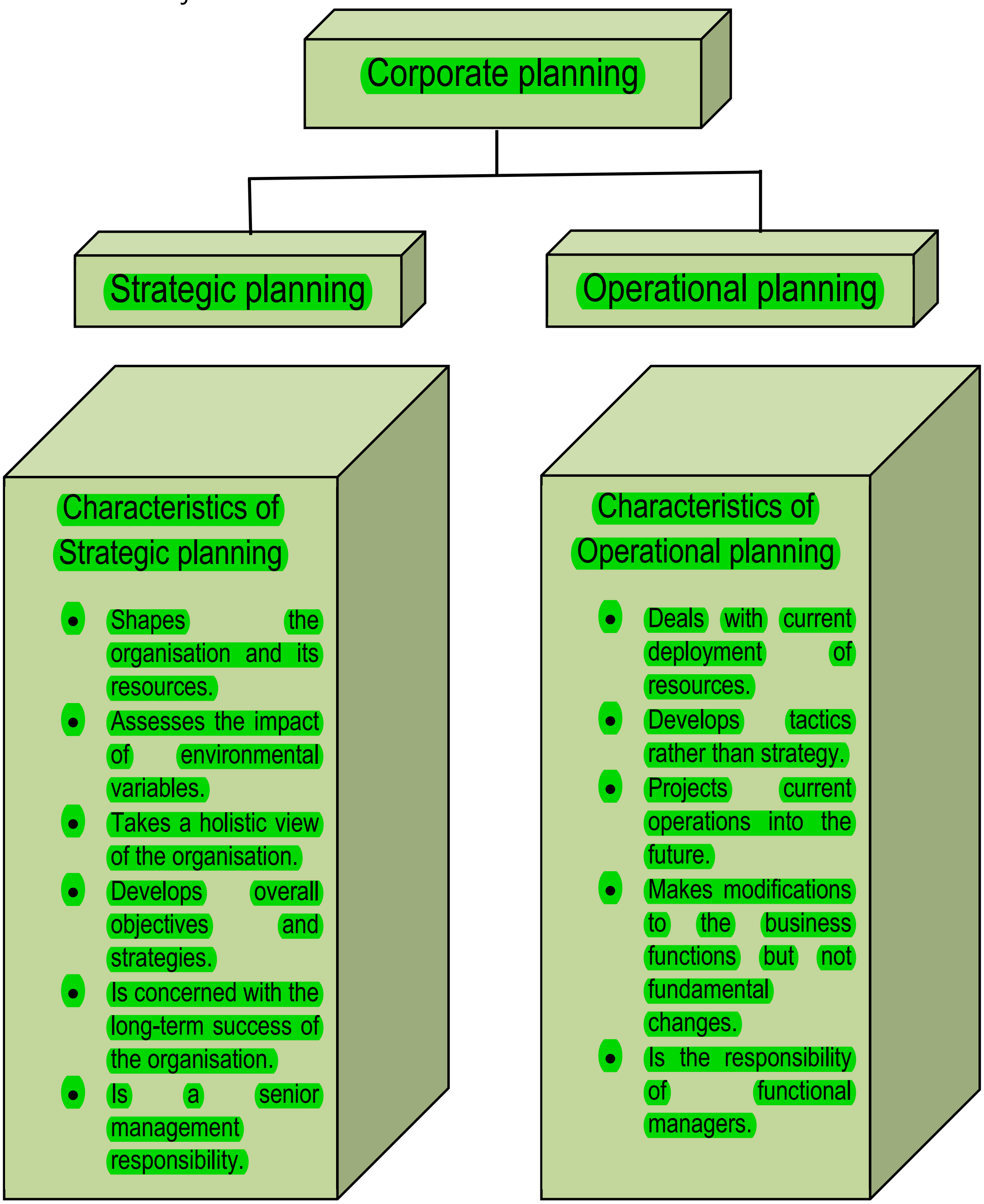
in the light of opportunities and threats in the external environment. They involve acquisition and allocation of resources for the attainment of organisational objectives. But operational plans on the other hand are made at the middle and lower-level management. They specify details on how the resources are to be utilized efficiently for the attainment of objectives.



company. Strategic vision delineates management's aspirations for the business, providing a panoramic view of the "where we are to go" and a convincing rationale for why this makes good business sense for the company. Strategic vision thus points out a particular direction, charts a strategic path to be followed in future, and moulding organisational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders and helps steer the energies of company personnel in a common direction. For instance, Henry Ford's vision of a car in every garage had power because it captured the imagination of others, aided internal efforts to mobilize the Ford Motor Company's resources, and served as a reference point for gauging the merits of the company's strategic actions.

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

The three elements of a strategic vision are:

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

Some examples of Vision are:

- **ICAI:** World's becomes leading accounting body, a regulator and developer of trusted and independent professionals with world class competencies in accounting, assurance, taxation, finance and business advisory services.
- **Reliance Industries:** Through sustainable measures, create value for the nation, enhance quality of life across the entire socio-economic spectrum and help spearhead India as a global leader in the domains where we operate.
- **Amazon:** Our vision is to be earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online.

- Impart world class education, training and professional development opportunities to create global professionals.
- Develop an independent and transparent regulatory mechanism that keeps pace with the changing times.
- Ensure adherence to highest ethical standards.
- Conduct cutting edge research and development in the areas of accounting, assurance, taxation, finance and business advisory services.
- Establish ICAI members and firms as Indian multi-national service providers.

♦ **Reliance Industries**:

- Create value for all stakeholders
- Grow through innovation
- Lead in good governance practices
- Use sustainability to drive product development and enhance operational efficiencies
- Ensure energy security of the nation
- Foster rural prosperity

♦ **Amazon:** "We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience."

♦ **TATA Motors**:

- **Shareholders**: To consistently create shareholder value by generating returns in excess of Weighted Average Cost of Capital (WACC) during the upturn and at least equal to Weighted Average Cost of Capital (WACC) during the downturn of the business cycle.
- **Customers**: To strengthen the Tata brand and create lasting relationships with the customers by working closely with business partners to provide superior value for money over the life cycle.
- **Employees**: To create a seamless organisation that incubates and promotes innovation, excellence and the Tata core values.

6.2.2 Marketing Mix

To understand marketing strategy, we need to understand the underlying concepts. Marketing-mix being one of them. Marketing mix forms an important part of overall competitive marketing strategy. The marketing mix is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything that the firm can do to influence the demand for its product. These variables are often referred to as the "**4 Ps**." The 4 Ps stand for product, price, place and promotion. An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to the consumers. The 4 Ps are from a marketer's angle. These four Ps correspond to 4 Cs when perceived from customers' perspective and are referred to as Product-customer solution, price-customer cost, place-convenience and promotion-communication.

(i) **Product** stands for the combination of "goods-and-services" that the company offers to the target market. Strategies are needed for managing existing product over time, adding new ones and dropping failed products. Strategic decisions must also be made regarding branding, packaging and other product features such as warranties. The products can also be classified on the basis of industrial or consumer products, essentials or luxury products, durables or perishables.

There are products that have wide range of quality and workmanship and these also change over time since products and markets are infinitely dynamic. An organization has to capture such dynamics through a set of policies and strategies. Some products have consistent customer demand over long period of time while others have short life spans.

Products can also be differentiated on the basis of size, shape, colour, packaging, brand names, after-sales service and so on. Organizations seek to hammer into customers' minds that their products are different from others. It does not matter whether the differentiation is real or imaginary. Quite often the differentiation is psychological rather than physical. It is enough if customers are persuaded to believe that the marketer's product is different from others. **For example,** *Shampoos with different branding namely Head & Shoulders, Olay, Old Spice, Pantene are all produced by the same company P&G.*

Organizations formalize product differentiation through designating 'brand names' to their respective products. These are generally reinforced with itself is a selling point. A very large number of the potential consumer may be able to afford and willing to try the product. The pricing kept by Reliance Jio is penetration.

(iii) **Place** stands for company activities that make the product available to target consumers. One of the most basic marketing decisions is choosing the most appropriate marketing channel. Strategies should be taken for the management of channel(s) by which ownership of product is transferred from producers to customers and in many cases, the system(s) by which goods are moved from where they are produced from they are purchased by the final customers. Strategies applicable to the intermediaries such as wholesalers and retailers must be designed.

The distribution policies of a company are important determinants of the functions of marketing. The decision to utilize a particular marketing channel or channels sets the pattern of operations of sales force. **For example,** *AMWAY, Oriflame and Tupperware rely on Direct Selling and Xiaomi, Oppo offer internet-only flash sales.*

(iv) **Promotion** stands for activities that help in communicating the necessary messages about a product through campaigns and persuade target consumers to buy it. Strategies are needed to combine individual methods such as advertising, personal selling, and sales promotion into a coordinated campaign. In addition, promotional strategies must be adjusted as a product move from an earlier stage from a later stage of its life, besides many other factors like, nature of product, type of target audience, resourcefulness, type of market, organisation's policy and so forth.

Modern marketing is highly promotional oriented. Organizations strive to push their sales and market standing on a sustained basis and in a profitable manner under conditions of complex direct and indirect competitive situations. Promotion gives an impetus to marketing and sales. It involves communication, persuasion and conditioning process. There are at least four major direct promotional methods or tools – personal selling, advertising, publicity and sales promotion. They are briefly explained as follows:

(i) ***Personal selling:*** Personal selling is one of the oldest forms of promotion. It involves face-to-face interaction of sales force with the prospective customers and provides a high degree of personal attention to them. In personal selling, oral communication is made with potential buyers of a product with the intention of making a sale.

- If technology is changing slowly but the market is growing quickly, there generally is not enough time for in-house development. The prescribed approach is to obtain R&D expertise on an exclusive or nonexclusive basis from an outside firm.
- If both technical progress and market growth are fast, R&D expertise should be obtained through acquisition of a well-established firm in the industry.

6.5.2 R & D Approaches to Implement Strategic Decisions

There are at least three major R&D approaches for implementing strategies.

i. **Be the leader:** The first strategy is to be the first firm to market new technological products. This is a glamorous and exciting strategy but also a dangerous one. Firms such as 3M and General Electric have been successful with this approach, but many other pioneering firms have fallen, with rival firms seizing the initiative. **For example,** *Apple.*

ii. **Be an innovative imitator:** A second R&D approach is to be an innovative imitator of successful products, thus minimizing the risks and costs of startup. This approach entails allowing a pioneer firm to develop the first version of the new product and to demonstrate that a market exists. Then, laggard firms develop a similar product. This strategy requires excellent R&D personnel and an excellent marketing department. **For example,** *Samsung.*

iii. **Be a low-cost producer:** A third R&D strategy is to be a low-cost producer by mass-producing products similar to but less expensive than products recently introduced. As a new product accepted by customers, price becomes increasingly important in the buying decision. Also, mass marketing replaces personal selling as the dominant selling strategy. This R&D strategy requires substantial investment in plant and equipment, but fewer expenditures in R&D than the two approaches described earlier. **For example,** *Oppo, Xiaomi.*

6.6 HUMAN RESOURCE STRATEGY

6.6.1 Role of Human Resources in Strategic Management

Strategic responsibilities of the human resource manager include assessing the staffing needs and costs for alternative strategies proposed during strategy formulation and developing a staffing plan for effectively implementing strategies. The plan must also include how to motivate managers and employees.

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