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Index

Unit-1

Understanding Business Policy

Business Policy is a foundational concept in the world of Business Management. It provides a framework of guidelines and principles that guide an organisation's actions and decisions. These policies serve as guardrails for managers and employees, ensuring that their choices are aligned with the organisation's overarching goals and values.

Importance of Business Policy

Business Policy plays a pivotal role in the long-term success and sustainability of organisations across various industries. It provides a framework that guides decision-making, ensures uniformity, and fosters a cohesive work environment. Here's a closer look at why Business Policy holds such significance:

1) Consistency in decision-making: Business Policy sets the rules and guidelines that govern various aspects of an organisation's operations. This consistency ensures that decisions made by different individuals and teams align with the organisation's mission, vision, and values. It reduces ambiguity and prevents ad-hoc decision-making, contributing to a unified organisational approach.

2) Efficient operations: By outlining standard procedures and practices, Business Policy streamlines operations. Employees can refer to established policies for guidance, which helps them execute their tasks more efficiently. This efficiency translates to time and resource savings, contributing to improved productivity across the organisation.

3) Conflict resolution: Clear business policies offer a basis for resolving conflicts and disagreements within the organisation. When disputes arise, referring to established policies helps in finding objective solutions that align with the organisation's principles. This minimises conflicts, maintains a harmonious work environment, and prevents disruptions.

4) Employee empowerment: Having well-defined policies empowers employees by providing them with a clear understanding of the organisation's expectations and boundaries. This empowers them to make decisions confidently, knowing that their choices are in line with the organisation's goals.

5) Risk mitigation: Certain business policies are designed to address compliance, ethical standards, and legal requirements. Adhering to these policies helps mitigate risks related to legal liabilities, regulatory violations, and reputational damage. This is especially important in industries with tight regulations.

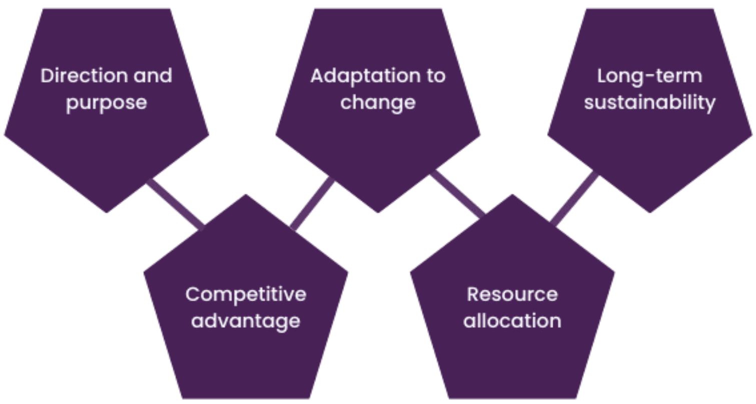
Business Policy acts as a guiding force that ensures alignment, consistency, and efficiency within an organisation. It lays the foundation for decision-making, conflict resolution, and operational effectiveness. By promoting a culture of adherence to policies, organisations can navigate challenges, seize opportunities, and build a strong reputation in the marketplace.

Understanding Strategic Management

Strategic Management is a dynamic and essential process within an organisation that involves the formulation and execution of strategies to achieve its goals and objectives. In an ever-changing business environment, where competition is fierce and opportunities are fleeting, Strategic Management provides a roadmap for success by aligning resources, capabilities, and actions with the organisation's long-term vision.

Importance of Strategic Management

Strategic Management stands as a cornerstone of modern business practices, offering a roadmap that guides organisations toward success in an ever-changing landscape. Its significance goes beyond mere planning; it encompasses the essence of adaptability, competitiveness, and sustained growth. Here's why Strategic Management holds a vital role:



1) Direction and purpose: Strategic Management provides organisations with a clear sense of direction. It helps leaders define their long-term vision, set achievable goals, and outline the path to attaining them. This clarity of purpose aligns efforts throughout the organisation and fosters a shared commitment to a common objective.

2) Competitive advantage: In a fiercely competitive market, Strategic Management enables organisations to identify and leverage their unique strengths. It encourages them to differentiate their products, services, or processes from competitors, creating a sustainable advantage that attracts customers and drives success.

3) Adaptation to change: The business landscape is characterised by rapid changes, from technological advancements to shifting consumer preferences. Strategic Management equips organisations to proactively anticipate and adapt to these changes. By analysing trends and adjusting strategies, businesses remain relevant and resilient.

4) Resource allocation: Effective Strategic Management involves efficient allocation of resources like financial, human, and technological. It ensures that resources are invested where they can create the greatest impact, optimising operational efficiency and maximising returns.

5) Long-term sustainability: Strategic Management transcends short-term gains and envisions the long-term sustainability of an organisation. It encourages leaders to consider not only immediate profits but also the organisation's impact on stakeholders, the environment, and society as a whole.

Strategic Management is the compass that guides organisations through uncertainty, helping them navigate challenges, seize opportunities, and achieve sustainable growth. It fosters adaptability, innovation, and a forward-thinking mindset that is essential for thriving in today's dynamic business world.

Difference between Business Policy and Strategic Management

While both are integral to effective organisational governance, Business Policy and Strategic Management serve distinct purposes. Understanding their differences is crucial for informed decision-making and successful business operations. Here's a breakdown of their key distinctions:

Scope and focus

Business Policy: Encompasses a broader set of guidelines and principles that dictate the organisation's overall approach to decision-making and operations. It defines the rules for consistent behaviour across various functional areas.

Strategic Management: Focuses specifically on formulating and executing strategies that position the organisation competitively in its industry. It involves aligning resources to achieve long-term goals and outperform competitors.

Timeframe

Business Policy: Primarily deals with short-term operational decisions and day-to-day activities, ensuring consistency and uniformity.

Strategic Management: Has a long-term perspective, often spanning multiple years. It involves setting long-range goals, anticipating market trends, and adapting to changes over time.

Orientation

Business Policy: Primarily oriented toward internal efficiency, optimising processes, and ensuring smooth functioning within the organisation.

Strategic Management: Oriented externally, focusing on gaining a competitive advantage in the market, capturing opportunities, and addressing challenges posed by the external environment.

Flexibility

Business Policy: Generally designed to provide stability and consistency, limiting deviations from established norms.

Strategic Management: Requires flexibility to adapt to changing circumstances and seize emerging opportunities, allowing for adjustments to strategies as needed.

Decision-making context

Business Policy: Guides routine decisions by providing a framework that ensures uniformity and adherence to established norms.

Strategic Management: Guides critical decisions involving the allocation of resources, entering new markets, innovation, and other choices that shape the organisation's future direction.

Steps to integrate Business Policy and Strategic Management

The seamless integration of Business Policy and Strategic Management requires a systematic approach that aligns short-term operations with long-term vision. Let's explore the steps to effectively merge these crucial components for organisational success:

1) Define strategic objectives: Begin by establishing clear strategic objectives that outline the organisation's long-term goals and direction. These objectives will serve as the compass for aligning business policies.

2) Identify key policies: Identify existing business policies and assess their alignment with the established strategic objectives. Determine which policies need adjustment or realignment to support the strategic direction.

3) Assess policy impact: Evaluate the impact of each policy on the organisation's ability to achieve its strategic goals. Identify policies that might hinder progress or create misalignment.

4) Modify and create policies: Revise or create new policies that directly contribute to the strategic objectives. Craft policies that guide decision-making, resource allocation, and operations in a manner that supports the overall strategy.

5) Communicate alignment: Effectively communicate the alignment between revised policies and the strategic direction to all levels of the organisation. Ensure that employees understand how policy adherence contributes to achieving broader goals.

6) Develop an implementation plan: Create an implementation plan that outlines how the revised policies will be rolled out across the organisation. Assign responsibilities, set timelines, and establish monitoring mechanisms.

7) Employee training: Provide training sessions to employees to educate them about the updated policies and their role in achieving strategic objectives. This empowers them to make informed decisions.

8) Regular review and adjustment: Establish a continuous review process to assess the effectiveness of aligned policies in driving strategic outcomes. Adjust policies as needed to accommodate changes in the business landscape.

9) Measure performance metrics: Develop performance metrics that gauge the impact of aligned policies on the organisation's progress toward strategic goals. Regularly analyse these metrics to ensure policies are contributing effectively.

10) Foster collaboration: Encourage cross-functional collaboration between departments to ensure that policy changes are well-coordinated and in harmony with the broader strategic initiatives.

By diligently following these steps, organisations can achieve a seamless integration of Business Policy and Strategic Management. This alignment creates a powerful synergy that propels the organisation toward its long-term goals while ensuring consistent and effective day-to-day operations.

Best Practices for Successful Integration of Business Policy and Strategic Management

Integrating Business Policy and Strategic Management requires a thoughtful approach to ensure alignment and effectiveness. Here are the best practices that organisations can follow to successfully merge these two critical components:

1) Clear articulation: Articulate the organisation's mission, vision, and strategic goals clearly. Ensure that these overarching objectives are well-understood throughout the organisation and form the foundation for business policies.

2) Cross-functional collaboration: Encourage collaboration between departments and teams during both policy development and strategic planning. This fosters a holistic approach that considers various perspectives and ensures policies support strategic objectives.

3) Strategic policy formulation: Craft business policies that directly align with the organisation's strategic priorities. Develop policies that guide actions in a manner that contributes to achieving long-term goals and maintaining competitiveness.

4) Communication strategy: Develop a robust communication strategy to convey the connection between business policies and strategic goals. Regularly communicate how adherence to policies contributes to the organisation's overall success.

5) Flexibility and adaptation: While policies provide structure, design them to allow for adaptation in response to changing market conditions. This flexibility ensures that policies remain relevant and supportive of evolving strategic needs.

6) Continuous review: Regularly review both business policies and the strategic plan to ensure alignment. As strategies evolve, update policies to reflect new goals and priorities, and ensure that they remain in harmony.

By implementing these best practices, organisations can seamlessly integrate Business Policy and Strategic Management, creating a powerful framework that propels them toward their long-term objectives while maintaining operational consistency and adaptability.

What is corporate culture?

Corporate culture refers to the shared values, attitudes, and practices that define and guide a company's operations. Think of it as a brand's personality: It encompasses how employees interact with each other, with customers, and with other stakeholders.

Corporate culture can be a factor in a company's success. A strong and positive corporate culture helps workers feel more secure, allowing them to identify their career success with the success of the company. According to PwC's 2021 Global Culture Survey, business leaders whose company has a distinctive culture were 80% more likely to report employee satisfaction than those at companies without a distinctive culture.

Types of corporate culture

Two University of Michigan academics, Kim S. Cameron and Robert E. Quinn, developed the Competing Values Framework in their 1999 book, Diagnosing and Changing Organizational Culture. It breaks down corporate culture into four general types, each representing a different configuration of company values, business environment, and general workplace culture.

Here's a brief overview of these four types of corporate culture:

1. Hierarchy

A hierarchical corporate culture favors stability over flexibility. In a hierarchical culture, order and efficiency are the core values. The business structure favors clearly defined responsibilities and duties, and it relies on top-down leadership. Employees follow well-known rules and formal procedures. They likely report to one manager, who reports to their own manager—on up to the CEO at the top of the pyramid.

Hierarchy culture tends to focus on long-term goals, such as growing to be a dominant player in a particular industry. Standardization and systemization are key. This can allow for advances in efficiency, which helps ensure low costs and reliable performance. Historically, many large corporations have been hierarchical. On the flip side, hierarchical cultures can stifle the creativity of individual employees, possibly limiting innovation.

Ford Motor Company, one of the most successful and transformational corporations in history, is a good example of a hierarchical corporate culture. Henry Ford, the founder of the company, made most major decisions, which then trickled down the chain of command through layers of management. Assembly lines in Ford factories allowed for maximum efficiency, with each worker's role precisely defined.

2. Market

Market culture is all about competition, as its name implies. Productive employees get ahead by performing better than their coworkers, and the leadership team recognizes employees who produce results.

In a market culture, getting it done is more important than how it gets done. This type of culture is often demanding and fast-paced, and performance expectations can be stressful for some workers. On the other hand, some employees may find these conditions exhilarating and thrive.

Many companies in the financial sector, such as hedge funds and private equity firms, have market cultures. Employees are encouraged to be competitive and agile, with a sink-or-swim approach to success in the company. Their compensation often reflects this; performance-based year-end bonuses are a big part of their pay. Similarly, Netflix relies on a market culture where employees are encouraged to make decisions, and only the most effective workers are kept.

3. Adhocracy

An adhocracy culture emphasizes flexibility. Some adhocracy companies have an open management philosophy, meaning job titles aren't rigidly defined, and the leadership team can encourage team members to take initiative and think outside the box. Adhocracy cultures foster highly engaged employees and market-changing new ideas.

However, this type of corporate culture can also lead to a business that is unfocused and inefficient. Adhocracy works best when applied to small or medium teams working on specific projects within a larger organization.

Spotify, the biggest music streaming service in the world, is an example of adhocracy culture. Spotify's engineers are divided into small, eight-person teams called squads, the leadership of which is decided upon by the members. These small groups allow for agility and flexibility while remaining aligned with the overall task of growing subscribers and improving user experience.

4. Clan

Clan culture is cohesive, caring, and close-knit. In organizations with this type of culture, communication tends to be informal, and relationships between employees are prioritized. Often, these companies have a deep collaboration culture, which can lead to a sense of mutual respect and trust.

Unlike hierarchical cultures, where directives are handed down, clan cultures may require buy-in or consensus from all shareholders when making decisions. This can ensure employees feel invested in their work, but can dramatically slow the process of adapting to change.

In a clan company, managers often mentor their direct reports, focusing not only on success in the marketplace but on employees' professional growth. Clan corporate cultures ensure employees feel supported and empowered to make positive decisions for themselves and the company. Tom's of Maine, a certified B Corp, is known for having a clan culture, where care extends to workers, customers, and the environment. Tom's provides paid volunteer time, ongoing job- and life-skills training, a policy for internal promotions, and reimbursement for continued education costs.

How to foster a healthy corporate culture

Define your company's values

Lay the groundwork

Ask for feedback

Grow with your company

As your business grows, pay attention to your corporate culture. While there's no one-size-fits-all formula for creating a positive company culture, some tendencies can guide you in the right direction.

Here are the four steps involved in creating a strong company culture:

1. Define your company's values

Your cultural values are an extension of your brand. They often follow naturally from the company vision you develop as you start your business: who you aim to serve, how you want to be seen, and what you hope to accomplish. For example, if creativity and acceptance are important to your company, an adhocracy culture might be a natural expression of those values. If your goal is to produce consumer goods as efficiently and cheaply as possible, a hierarchy culture likely makes sense.

As you assess your values, ask yourself these questions: How do you believe people do their best work? Do you want to be known as a company that moves fast and breaks things or a steadfast purveyor of trusted quality? Are you seeking to create a fast-paced, competitive environment or to take a more supportive approach that fosters teamwork and professional growth?

These considerations can help shape your company's core values, which, in turn, influence your corporate culture.

2. Lay the groundwork

As your company grows, you may want to formalize your company culture to make communication and accountability easier and more transparent. One way to do this is by creating a company culture deck you share with employees and include in training for new hires. This deck can provide a history of the company and its founding values and goals, as well as specifics about how the workplace culture manifests in interpersonal relationships.

Another part of laying the groundwork is modeling the culture yourself. As a business owner, your company culture starts with you. Remember, it's your responsibility to be a role model for a positive corporate culture. Look for ways to mentor your direct reports, and encourage them to share their wisdom and institutional knowledge with their own teams. This will help your desired culture take root organically.

3. Ask for feedback

Implement mechanisms for employees to give feedback on their experience of the company culture. For example, if your company has a clan culture, you might ask employees if they feel mentored, sufficiently included, and cared for.

Feedback can come in the form of anonymous surveys, informal discussions, or company-wide meetings, depending on the type of corporate culture you've chosen. This can provide valuable information about how your corporate culture is developing and how your employees feel about it. Once you've received feedback from your employees, you can adjust work processes to ensure you have a strong corporate culture.

4. Grow with your company

As your company grows, its culture will invariably change too. For instance, an intimate, highly open, and collaborative corporate culture might need to become more streamlined and efficient as a company gets bigger and more complex. Don't be afraid to change when you see the need for it, and remember to be patient. Cultures can take time to develop and evolve. By being open to change, you'll be better equipped to guide your company to financial success.

Types of Policies

Business policies can be categorized based on their scope and function. Common types include:

General Policies: These are broad policies that apply to the entire organization and cover overarching topics, such as company culture, ethics, and social responsibility.

Functional Policies: These policies are specific to certain departments or functions, such as marketing, finance, human resources, and operations. Examples include HR policies, financial accounting policies, and customer service policies.

Operational Policies: These are detailed policies that guide day-to-day operations, such as inventory management, customer interactions, and production schedules.

Procedural Policies: These provide a step-by-step process for carrying out specific activities or tasks within the organization. Examples might include hiring procedures, complaint resolution processes, or product return policies.

UNIT – 2

2.1. Introduction

In today's environment where competition requires business enterprises to be distinct and meet customer needs with better or newer products and organization becomes in critical necessity. Thus, entrepreneurs and enterprises are continuously creative and innovative to remain relevant to the customers, which is the purpose of every business. This requires studying the environment thoroughly and scan it from the viewpoint of stakeholders and customers in line with the strengths, opportunities, threats, etc.; so as to bring in the picture before any entrepreneurial activity is started with. Environment Scanning is careful monitoring of an organization's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans. Environmental scanning is a concept from business management by which businesses gather information from the environment, to better achieve a sustainable competitive advantage. To sustain competitive advantage, the company must also respond to the information gathered from environmental scanning by altering its strategies and plans when the need arises.

2.2. Types of Environmental Scanning

Active Scanning: The components of active scanning are quite different from those of passive scanning. For example, the searching or screening process requires a much higher level of attention. The information resources scanned are specifically selected for their known or expected richness in the desired information. A dimension of scanning concerns the time element of the information source being scanned. Information sources are either already existing resources, such as "the literature," or continuing resources, which continue to come in, such as a magazine subscription. Active scanning involves the conscious selection of continuous resources and, from time to time, supplementing them with existing resources as needed.

Passive Scanning: Everyone scans continually. Ongoing scanning at an almost unconscious level is passive scanning. No effort is made to select a particular information resource to scan.

The criteria of passive scanning are obscure, unspecified, and often continuously changing. Only ad hoc decisions are made on the results of this type of scanning. Passive scanning has traditionally been a major source of information about the external world for most entrepreneurs for decision making on the new product. The continuous scanning only helps them arrive at an innovative altogether new solution to business.

Directed Scanning: The active scanning of an existing resource for a specific item is directed scanning. Usually, this scanning continues until the items are located, not necessarily until the resources are exhausted. As the specific desired item is known and the resource can be specified, the scanning committee can delegate whatever directed scanning is necessary. Whether it is about starting a new business or launching a new product, conducting a market assessment is essential to know whether there exists any demand to the idea. Knowing of the market's needs provides with key information that is essential in further moulding the idea and to develop the plan map. Too often, businesses spend thousands of dollars launching a "new" idea with a limited market because of competition. The owner is forced to reevaluate his strategy and determine if there is room for another player.

Process of Environmental Scanning Environmental scanning begins with gathering information about the internal and external environments. This information can be obtained from various sources, both internal and external to the organization. Scanning includes a broad range of activities. It is a process of screening a large body of information for some bit of information that meets certain screening criteria.

This process has several distinct steps:

- Searching for information resources
- Selecting information resources to scan
- Identifying criteria by which to scan
- Scanning
- Determining special actions to take on the scanning results.

When entrepreneurship is taken into consideration; environment scanning is another important factor to be taken care of with regards to developing a new plan which comprises of innovative ideas and creative ends so that the same may be developed and offered in the market after a careful analysis for its possibility of acceptance, opportunity in the same, and prospective threats. Entrepreneurs need to carry out environmental scanning to anticipate and interpret the results that their business innovation would result in.

The term environmental scanning refers to the screening of large amounts of information to detect emerging trends and to create a set of scenarios. Companies which scan their business environment are proven to achieve higher profits and revenue growth compared to companies which do not. There are various techniques which may be used in environment scanning namely,

2.3. SWOT Analysis

Originated by Albert S Humphrey in the 1960s, SWOT Analysis is as useful now as it was then. SWOT is the analysis of a company's Strengths, Weaknesses, Opportunities, and Threats to identify a strategic niche that the company could exploit. SWOT analysis merges the external factors (environment analysis, opportunities, and threats identification) with the internal factors (company's resources analysis, company's strengths, and weaknesses identification).

The entrepreneur is able to access the feasibility of his goals and objectives using the outcome of SWOT analysis and identification of the company's opportunities. The entrepreneur who has conceived an idea in his minds would then be able to evaluate whether such plans, mission and objectives are even close to realism or are in the wave of air only. If they are realistic, the entrepreneur can continue to formulate strategies. But if they are not realistic, the entrepreneur should amend and modify plans or discard the same to originate a new one which has more odds of the success. This tool can use it in two ways - as a simple icebreaker helping entrepreneur to analyse the plan and judge the feasibility, or in a more sophisticated way as a serious strategy tool wherein the entrepreneur checks SWOT every stage of his formulating the plan and then put forward the idea as a business. There are four components to this analysis. Strengths and weaknesses are often internal to your organization, while opportunities and threats generally relate to external factors. For this reason, the SWOT Analysis is sometimes called Internal-External Analysis and the SWOT Matrix is sometimes called an IE Matrix. All four components cover certain basic questions that need to be answered. These are as follows: Strengths

• What advantages does your idea have?

• How does it serve the society better than anyone else?

• How do you use unique or lowest-cost resources to your idea that others can't?

• What would be your strengths in the market ones this idea is materialized? • What factors mean that you "get the sale"?

• What is your innovation's Unique Selling Proposition (USP)? Consider your strengths from both an internal perspective, and from the point of view of your customers and people in your prospective market. Weaknesses

• What is the further scope of improvement?

• What are the things that need to be avoided?

• What are people in your market likely to see as weaknesses?

• What factors lose you sales?

• What good opportunities can you spot in relation to the innovative idea you have?

• What interesting trends are you aware of? Useful opportunities can come from such things as:

• Changes in technology and markets on both a broad and narrow scale.

• Changes in government policy related to your field.

• Changes in social patterns, population profiles, lifestyle changes, and so on.

• Local events. Threats

• What obstacles are likely to be faced?

• What are your competitors doing?

• Are quality standards or specifications for your job, products or services changing?

• Is changing technology threatening your position?

• Could any of your weaknesses seriously threaten your business?

When looking at your strengths, think about them in relation to your competitors. For example, if all your competitors provide high quality products, then a high-quality production process is not strength in your organization's market, it's a necessity. A useful approach when looking at opportunities is to look at your strengths and ask yourself whether these open any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating them. When looking at opportunities and threats, PESTLE Analysis can also help to ensure that you do not overlook external factors, such as new government regulations, or technological changes in your industry. This is another technique of environment scanning.

2.4. PESTLE Analysis

PESTLE analysis stands for political, economic, sociological, technological, legal, and environmental scanning. PESTLE analysis is in fact, an audit of environmental influences on the business idea with the purpose of using this information to pre-ascertain the factors affecting the likely project and thereby guide strategic decision- making in accordance. The assumption is that if the entrepreneur can audit his influencing environment and assess potential threats to his project, it will be better placed in the market, and be able to accommodate the influencing factors. PESTLE analysis is a useful tool for understanding the 'big picture' of the environment in which an entrepreneur is planning to operate. Specifically, a PESTLE analysis is a useful tool for understanding risks associated with several forms of markets, growth, or decline, and as such the position, potential and direction for an individual business or Organisation. This is often used as a generic 'orientation' tool, which finds out the stand of the prospective business plan of the entrepreneur in the external environment in terms of the components so mentioned that will at some point affect the internal environment of the business ones it is set up. The six elements form a framework for reviewing a situation and can also be used to review a strategy or position, direction of a company, a marketing proposition, or idea

It is important to clearly identify the subject of a PESTLE analysis (that is a clear goal or output requirement), because an analysis of this type is multi-faceted in relation to a particular business unit or proposition – if the focus is diluted as to what is exactly required from the technique, the picture so produced would be unclear and ambiguous. A scan of the external macro-environment which are likely to influence the business idea can be expressed in terms of certain factors which include: political factors, economic factors, social factors, technological factors, legal factors, and environmental factors.

Political Factors

• Tax policy

• Employment laws

- Environmental regulations
- Trade restrictions and tariffs
- Political stability
- Government type and stability
- Freedom of press, rule of law and levels of bureaucracy and corruption
- Regulation and de-regulation trends
- Environmental and consumer-protection legislation Economic Factors
- Current and projected economic growth, inflation, and interest rates
- Exchange rates
- Stage of business cycle
- Unemployment and labour supply
- Labour costs
- Levels of disposable income and income distribution
- Impact of globalization
- Impact of technological or other change on the economy Social Factors
- Health awareness
- Population growth rate
- Age distribution
- Career attitudes
- Emphasis on safety
- Population health, education and social mobility, and attitudes
- Population employment patterns, job market freedom and attitudes to work.
- Press attitudes, public opinion, social attitudes, and social taboos.
- Lifestyle choices and attitudes Technological Factors
- R&D activity

• Impact of emerging technologies and research & Development activity

• Impact of internet, reduction in communications costs and increased remote working.

• Impact of technology transfer Legal Factors

• Licensing framework

• Employment laws

• Competition laws

• Foreign transaction laws

• Taxation laws Environmental Factors

• Environmental impact

• Environmental legislation

• Energy available and costs

• Waste disposal This checklist of the factors is inclusive in nature. Other related aspects that have a bearing in respective factor may also be considered based on the stance of the idea that is being converted into business.

2.5. Industry Analysis

An important tool for environment scanning is to conduct industry analysis which is to take a survey of the existing industry if any, before setting up an entrepreneurial endeavour. An entrepreneur is most concerned with the intensity of competition to which his idea is exposed. The level of this intensity may be determined by basic competitive forces. In scanning the industry, the entrepreneur must assess the importance to its success of each of the five forces. The Porter's Five Forces tool is a simple but powerful tool to evaluate the power of business. This is useful, because it helps to understand both the strength of current competitive position, and the strength of the position moving into. With a clear knowledge of where power lies, fair advantage can be taken in case of situation of strength, and contrarily improve a situation of weakness, and avoid taking wrong steps. This forms an important part of planning toolkit of business endeavour. Conventionally, the tool is used to identify whether new products, services or businesses have the potential to be profitable. However, it can be very illuminating when used to understand the balance of power in other situations.

2.5.1. Porter's Five Forces Analysis assumes that there are five important forces that determine competitive power in a business situation.

These are:

• Supplier Power: This assesses how easily suppliers may drive up prices. This in lieu depends upon the number of suppliers of each key input. The uniqueness of their product or service, their strength and control over the entrepreneur's cost of switching from one to another, and so on are significant factors to measure suppliers' powers. The fewer the supplier choices, and the more is the need of suppliers' help, the more powerful suppliers become

. • Buyer Power: This evaluates how easy it is for buyers to drive prices down. Again, this is driven by the number of buyers, the demand for the new product or service. The importance of each individual buyer to business, the cost to them for accepting the new product launched, and so on are influencing factors to know how much buyers can affect the success of business plan.

• Competitive Rivalry: What is important here is the number and capability of competitors. If there are many competitors to the new product, who offer equally attractive products and services, then the product will most likely have little power in the situation, because suppliers and buyers will have alternate choices to make in case, they do not get a good deal. On the other hand, if no-one else can do what you do, then you can often have tremendous strength.

• Threat of Substitution: This is affected by the ability of your customers to find a different way of doing what you do – for example, if you supply a unique software product that automates an important process, people may substitute by doing the process manually or by outsourcing it. If substitution is easy and substitution is viable, then this weakens your power.

• Threat of New Entry: Power is also affected by the ability of people to enter your market. If it costs little in time or money to enter your market and compete effectively, if there are few economies of scale in place, or if you have little protection for your key technologies, then new competitors can quickly enter your market and weaken your position. If you have strong and durable barriers to entry, then you can preserve a favourable position and take fair advantage of it.

2.6. Market Analysis

The fostering entrepreneurship and business growth is clearly important for economic development. When a planned economy transforms to free-market system, the importance of entrepreneurship is emphasized, since such a tradition did not previously exist in the business culture. In most cases, the transformation includes privatization of publicly owned property and therefore, changes in ownership structure in the economy. Several challenges exist in changing ownership structures in an optimal welcoming environment for businesses. As transformation is much more than an economic process. fashion. Appropriate physical and institutional infrastructure will be needed to attract private investment, and well-designed strategies and policies should be introduced to provide a welcoming environment for businesses. As transformation is much more than an economic process.

Conducting a market assessment helps to prepare to enter a new market, launch a new product/service, and start a new business

The marketing assessment process can be laid down into six steps, namely,

(i) defining the problem,

(ii) analysis of the situation,

(iii) obtaining data that is specific to the problem,

(iv) analysis and interpreting the data,

(v) fostering ideas and problem solving,

(vi) designing a plan.

• Defining the Problem: Defining the problem is crucial to conducting a successful marketing analysis. This may require a great deal of time, but it is well worth the time and energy employed. Defining the objectives is defining the problem which is tantamount to a successful marketing campaign. Many entrepreneurs tend to waste valuable time performing good research on the wrong problem.

• Analysing the Situation: An analysis of the situation is an informal survey of what information is available in the problem area. The analysis will help define the problem and ascertain the need for additional information. This process entails informal talks with informed people. Informed individuals can be others in the company or outsiders with knowledge about the industry or product. In some instances, customers are contacted to provide information. When the marketing manager is unfamiliar with the situation, the analysis step is of primary importance. It is important to understand the problem area - including the nature of the target market, competition, the marketing mix, and the external environment. The analysis should focus on both primary and secondary research. Primary research is research that is proactively created for a specific purpose. Primary research may include focus groups, qualitative surveys, and phone interviews. In contrast, secondary research is research that has already been conducted for other purposes. From its valuable information can be gleaned. Secondary research can be found in libraries, online, through periodicals, books, etc. Once all the information required is known, make sure market should be receptive to the product or service. The widget might be the most innovative on the market, but if the target market does not think so, it leads to nowhere zone. Thus, a comprehensive primary market research study is essential.

• Obtaining Data Specific to the Problem: The next step requires gathering primary research and performing a formal research project. Many approaches can be used to collect primary data. The purpose is for the research to identify customer's behaviour patterns in response to product good or any idea. Research can be done in person or through a survey. Questioning can be qualitative or quantitative. Another research option is to use observation of customers and their purchases or utilization of a product or service.

• Data Analysis and Interpretation: Data analysis and interpretation is critical in analysing the market. By merely conducting the research work and collating the data is of no help unless analysed. The data needs to be used in a constructive way to define the problem and then establish a plan. In quantitative research, this step most often involves statistics. Marketing managers must be able to draw valid and solid conclusions from the conducted study. Despite use of the correct statistical tool and accurate calculations, the interpretation could be wrong. It is therefore required that the analysis be done in the support of experts and right results are crafted.

• Fostering Ideas and Problem Solving: At this step, the research results are used to make marketing decisions. The findings should be applied in marketing planning. If the research does not provide the information necessary to make these decisions, the company, whether small or large, has wasted its time, money and manpower on unnecessary data. The final step must be anticipated throughout the entire process.

• Marketing Plan: This six-step process of market analysis is critical in designing a marketing plan that is tailored to the product or service. The process can be extremely helpful in disclosing a significant but previously unrecognized problem. By finding and focusing on the real problem, the researcher and business owner can move quickly to a useful solution. A marketing plan shows the specifics of how the entrepreneur will market or attempt to sell his product or service.

Reference Books

1. Concepts in Strategic Management and Business Policy, by Wheelen, Hunger, Hoofman, Bamford – Pearson.
2. Strategic Management and Business Policy, by Azhar & Adela Kazmi – Tata McGraw-Hill Publishing company Ltd.
3. Strategic Management Concepts and Cases, by Fred David - PHI Learning Private Limited.