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| to the attainment of the object in view."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>B. H. Liddell Hart:</b> "Strategy is the art of distributing and applying military means to fulfil the ends of policy."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Clausewitz:</b> "Strategy is the art of the employment of battles as a means to gain the objects of war".                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Chandler:</b> "Strategy is a comprehensive master plan that determinates the long term goals of an enterprise".                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Mintzberg:</b> "Strategy is a mediating force between the organization and its environment: consistent patterns in streams of organizational decisions to deal with the environment"                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Norman:</b> "Strategy is the art of creating value"                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p><b>Henry Mintzberg</b> in his 1994 book, <i>The Rise and Fall of Strategic Planning</i>, points out that people use "strategy" in several different ways, the most common being:</p> <ol style="list-style-type: none"> <li>1. Strategy as a plan, a "how," a means of getting from here to there.</li> <li>2. Strategy as a pattern in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy.</li> <li>3. Strategy as position; that is, it reflects decisions to offer particular products or services in particular markets.</li> <li>4. Strategy as perspective, that is, vision and direction.</li> </ol> |
| <b>Kenneth Andrews:</b> "Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue; the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities."                                                                                                                                                                              |
| <b>Michael Porter:</b> "Strategy is a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Kepner Tregoe</b> says that strategy is "The framework which guides those choices that determine the nature and direction of an organization."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>William F. Glueck:</b> "Strategy is a unified, comprehensive and integrated plan design to assure that the basic objectives of the enterprise are achieved."                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## 1.7 FEATURES OF STRATEGY

Business Strategy has following characteristics:

|                                                                                     |                                                                   |                                                                           |
|-------------------------------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------------|
| term decisions.                                                                     | are taken daily.                                                  | not frequently taken.                                                     |
| These are considered where The future planning is concerned.                        | These are short-term based Decisions.                             | These are medium-period based decisions.                                  |
| Strategic decisions are taken in Accordance with organizational mission and vision. | These are taken according to strategic and operational Decisions. | These are taken in accordance with strategic and administrative decision. |
| These are related to overall Counter planning of all Organization.                  | These are related to working of employees in an Organization.     | These are related to production.                                          |
| These deal with organizational Growth.                                              | These are in welfare of employees working in an organization.     | These are related to production and factory growth.                       |

### 3.4 STRATEGIC DECISION MAKING PROCESS

Strategic Decision making is the process of making choices by identifying a decision, collecting information, and assessing alternative solutions. Using a step-by-step decision-making process can help the organisations make more conscious and thoughtful decisions by organizing pertinent information and defining alternatives. This methodology increases the chances of choosing the most appropriate strategy.

Strategic Decision making process involves the following steps:

**I. Problem Identification:** The foremost step is to identify the problem that demands solution. Strategist must realise realize that a decision needs to be taken. The nature of decision should be defined clearly and precisely. This forms the basis of further steps.

**II. Collection of information:** After problem has been identified, relevant information is collected before taking any decision. Strategic decisions have long term impact on the firm, so they must be taken carefully. One needs to understand what kind of information is required, what would be the best sources of information, and the possible ways of collecting it. This involves both internal and external analysis.

PESTLE analysis consists of various factors that affect the business environment. Each letter in the acronym signifies a set of factors. These factors can affect every industry directly or indirectly.

The letters in PESTLE, also called PESTEL, denote the following things:

- ☐ Political factors
- ☐ Economic factors
- ☐ Social factors
- ☐ Technological factors
- ☐ Legal factors
- ☐ Environmental factor

Often, managers choose to learn about political, economic, social and technological factors only. In that case, they conduct the PEST analysis. **PEST is also an environmental analysis.** It is a shorter version of PESTLE analysis. STEP, STEEP, STEEPLE, STEEPLED, STEPJE and LEPEST: All of these are acronyms for the same set of factors. Some of them gauge additional factors like ethical and demographical factors.

I will discuss the 6 most commonly assessed factors in environmental analysis.

P for Political factors

The political factors take the country's current political situation. It also reads the global political condition's effect on the country and business. When conducting this step, ask questions like "What kind of government leadership is impacting decisions of the firm?"

Some political factors that you can study are:

- ☐ Government policies
- ☐ Taxes laws and tariff
- ☐ Stability of government
- ☐ Entry mode regulations

E for Economic factors

There are many external factors other than the ones mentioned above. None of these factors are independent. They rely on each other.

## **Environmental Analysis Process**

The process of environmental analysis consists of the following stages :

- **Environmental Scanning:** Scanning means the process of analyzing the environment for identifying the factors which may influence the business. Its purpose is to identify the emerging trends or early warning signals. Such trends may have evolved over time or may have appeared suddenly. Environmental scanning alerts the organization to potentially significant forces in the external environment so that suitable strategic initiatives may be taken before these forces become critical for the organization, Scanning is basically exploratory in nature. There are so many environmental factors which influence the operation of a business. All these factors may not be relevant to an enterprise. Therefore, the critical and high priority factors must be identified. Several factors, *e.g.*, managerial philosophy, age, size, power, geographic dimension, type of business of the organization influence the selection of relevant environmental factors.
- **Environmental Monitoring :** At this stage information from the relevant environment is collected. Once the relevant factors in the environmental are identified, adequate data about these factors are gathered so as to ascertain their emerging pattern and trends. Monitoring is a follow up and deeper analysis of relevant environmental forces identified through scanning. Several technique are used to collect the relevant facts about environmental factors. Company records, publications, spying and verbal talks with the employees, customers, dealers, suppliers and competitors are the main sources of data.
- **Environmental Forecasting :** Forecasting is the process of estimating the relevant events of future based on the analysis of their past and present behavior. It is necessary to anticipate future events before any strategic plans are formulated. Forecasting can focus on future aspects of the environment which affects the organization. Forecasts are made for economic, social, political and technological elements of environment, Several technique like time series analysis, econometric model, scenario building, Delphi method, etc. are used for the purpose of forecasting.

uncertainty and complexity in the environment, environmental scanning becomes more critical.

## ***2. Determine the sources of Information:***

After studying the process and nature of the environment, the sources of collecting information from the environment should be determined. There are different sources through which information on business environment may be collected. They are as follows:

### ***Secondary sources:***

Newspapers, book, research articles, industrial and trade publications, government publication, and annual report of the competitors.

### ***Mass media:***

Radio, TV and Internet.

### ***Internal sources:***

Internal reports, management information system, data network, and employee.

### ***External agencies:***

Consumers, marketing intermediaries and suppliers

### ***Formal studies:***

Formal research and study by employee, research agencies, and educational institutions.

Spying and surveillance of the competitors.

## ***3. Determine the Approach of Environmental scanning:***

After determining the sources of information the approach of environmental analysis should be determined. There are mainly three approaches to environmental scanning. They are:

### ***Systematic approach:***

Under this approach, a systematic method is adopted for environmental scanning. The information regarding market and customer, government policy, economic and social aspects are continuously collected. In other words, the environment is monitored in a regular way.

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**It is a technique of environment analysis which evaluates organisation's strengths and weaknesses, environmental opportunities and threats and helps to formulate strategies and achieve objectives by:**

1. Exploiting organisational strengths,
2. Exploiting environmental opportunities,
3. Minimising and correcting the weaknesses, and
4. Minimising environmental threats.

SWOT analysis compares organisation's strengths and weaknesses (company profile) with external threats and opportunities (environmental analysis). "A company profile depicts the quantity and quality of a company's principal resources and skills. It seeks to determine the firm's performance capabilities on the basis of its existing and accessible resources and skills" and "environmental analysis is the systematic assessment of information about the firm's external environment during the strategic planning process to identify strategic opportunities for the company as well as major threats, problems, or other possible impediments."

SWOT analysis helps to make strategies which will overcome its weaknesses and utilize its strengths to gain competitive advantage in the market. Organisations conduct SWOT analysis to identify the factors that can improve their performance.

#### **Objectives of SWOT analysis:**

1. To compare company's profile (strengths and weaknesses) with threats and opportunities in the product or market areas where it wants to compete. It highlights company's strengths on which strategies will be based (to exploit environmental opportunities) and weaknesses that must be overcome.
2. To compare company's profile with that of competitors. This highlights areas where company has advantage or disadvantage over competitors in different product/market areas.

Strengths and weaknesses reflect internal environment of the organisation (company profile) and opportunities and threats reflect its external environment (environmental analysis).

#### **Strengths**

These are the strengths of a project or organization that can contribute to achieving the intended objectives. To determine what they are, the following questions could be asked:

To answer the questions above, the following matters might be of influence: technological developments, policy developments from the government, changes within the target group, new suppliers, etcetera.

## Threats

These could be possible obstacles that can negatively influence the project or organization from the market. To determine what these threats are, the following questions could be asked:

- ☐ What possible obstacles or external risk can be identified for the organization or project?
- ☐ What is the financial situation of the project or organization?
- ☐ Can new technologies pose a threat to the organization or project?
- ☐ Do the identified weaknesses pose a threat for the project or organization?
- ☐ How can we meet the quality requirements of the market and how can we compete with other suppliers?

(i) Strength is a positive attribute of the organisation that enables it to accept environmental challenges and improve its competitive position.

**Organisational strengths can be:**

1. Common strengths and
2. Distinctive competencies.

Common strength is the organisational skill and capability possessed by other organisations also, distinctive competencies the organisational skill and capability possessed by a small number of competing firms. Such competence is not commonly possessed by all the firms.

Organisations that exploit their distinctive competence perform better than competitors and attain high level of performance. SWOT analysis enables the organisation discover its distinctive competence, make strategies to exploit its strengths, explore environmental opportunities and improve performance.

Internal strength can be harmonious labour-management relations, optimum utilisation of resources, high managerial skill, innovative ability, profitable functional areas, efficient R&D department, huge financial resources, competent staff, updated technology, high quality products etc.

Here's the **SWOT** analysis based on a fictional restaurant:

| STRENGTHS                                                                                                                                                                                                                                    | WEAKNESSES                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Excellent, well-trafficked location</li> <li>• Good reputation among local community</li> <li>• Seasonal menu, locally sourced</li> </ul>                                                           | <ul style="list-style-type: none"> <li>• Higher costs than comparable chain restaurants</li> <li>• Single location means limited reach</li> <li>• Modest advertising budget</li> <li>• Not currently using food delivery apps/technology</li> </ul> |
| OPPORTUNITIES                                                                                                                                                                                                                                | THREATS                                                                                                                                                                                                                                             |
| <ul style="list-style-type: none"> <li>• Growing interest in/support for locally sourced ingredients</li> <li>• Seasonal menu keeps things fresh and interesting</li> <li>• Potential for growth in food delivery apps/technology</li> </ul> | <ul style="list-style-type: none"> <li>• Intensifying competition from established chain restaurants</li> <li>• Unstable economic environment</li> <li>• Rising costs of ingredients</li> </ul>                                                     |

As you can see, this matrix format allows you to quickly and easily identify the various elements you've included in your analysis.

For example, we can see that a great location, strong reputation, and seasonal menu are strengths in this particular analysis. Conversely, we can see that heightened competition from chain restaurants and the rising costs of ingredients are two of the four weaknesses identified by our fictional restaurant business.

## 2. **ETOP: Environmental Threat and Opportunity Profile**

ETOP means environmental threat and opportunity profile. It is a technique of environment analysis where organisations make a profile of their external environment. It analyses information about environmental threats and opportunities and their impact on strategic planning process.

### **3. Impact Studies:**

Impact studies should be conducted focusing on the various opportunities and threats and the critical issues selected. It may include study of probable effects on the company's strengths and weaknesses, operating and remote environment, competitive position, accomplishment of mission and vision etc. Efforts should be taken to make assessments more objective wherever possible.

### **4. Flexibility in Operations:**

There are number of uncertainties exist in a business situation and so a company can be greatly benefited by devising proactive and flexible strategies in their plans, structures, strategy etc. The optimum level of flexibility should be maintained.

**Some of the key elements for increasing the flexibility are as follows:**

- (a) The strategy for flexibility must be stated to enable managers adopt it during unique situations.
- (b) Strategies must be reviewed and changed if required.
- (c) Exceptions to decided strategies must be handled beforehand. This would enable managers to violate strategies when it is necessary.
- (d) Flexibility may be quite costly for an organization in terms of changes and compressed plans; however, it is equally important for companies to meet urgent challenges.

### **3. PESTEL ANALYSIS**

A PESTEL analysis is a framework or tool used by marketers to analyse and monitor the macro-environmental (external marketing environment) factors that have an impact on an organisation. The result of which is used to identify threats and weaknesses which is used in a **SWOT analysis**.

PESTEL stands for:

- ☐ **P – Political**
- ☐ **E – Economic**

same time). These are just some of the issues marketers are facing within this factor. More and more consumers are demanding that the products they buy are sourced ethically, and if possible from a sustainable source.

### **Legal Factors**

Legal factors include - health and safety, equal opportunities, advertising standards, consumer rights and laws, product labelling and product safety. It is clear that companies need to know what is and what is not legal in order to trade successfully. If an organisation trades globally this becomes a very tricky area to get right as each country has its own set of rules and regulations.

Example of PESTLE/PESTEL ANALYSIS

## **1. Pestle Analysis Examples: Uber**

- ☐ Uber is a rapidly growing taxi service provider in the world. People like its features such as **easy accessibility with the app and taxi sharing**. However, there are controversies such as minimum wage complications and banning that are not helping its cause.

And now let us find out more about this company through a Pestle Analysis example. The infographic below will give you a brief on what we have discussed ahead:

### **1.1 Political Factor**

As mentioned above, this company has many controversies to deal with. And one of the things that have put Uber in trouble is that it has not made its regulations clear. For example, people have **questioned about its insurance policy**. Some of the questions that are in the mind of the public are if there is an accident, then the company will

- ☐ hold the driver as accountable or,
- ☐ the company will take the blame for itself.

### **1.2 Economic Factor**

In this section of our sample pestle analysis of Uber, we will take a look at its economic factors.

- ☐ The company operates in a sharing economy. In other words, sharing of physical and intellectual resources take place in the economy in which Uber operates.
- ☐ Customers can easily connect with the driver through the app. Drivers can take them to their desired location. Customers find Uber cheaper than taxis.
- ☐ Uber has seen fast growth since its inception. However, some countries see unfair competition against regular taxis. It resulted in ban and restriction of its services.
- ☐ Other companies are also under the scanner of the authorities for the same reason. But, Uber has been the focal point of this controversy as it is a leading taxi service provider.

- ☐ Do any of your competitors have access to new technologies that could redefine their products?
- ☐ In which areas do governments and educational institutions focus their research? Is there anything you can do to take advantage of this?
- ☐ How has infrastructure changes affected work patterns (for example, levels of remote working)?
- ☐ Are there existing technological hubs that you could work with or learn from?
- ☐ Are there any other technological factors that you should consider?

**Note:**

There are variations of PEST Analysis that bring other factors into consideration. These include:

- ☐ **PESTLE/PESTEL:** Political, Economic, Socio-Cultural, Technological, Legal, Environmental.
- ☐ **PESTLIED:** Political, Economic, Socio-Cultural, Technological, Legal, International, Environmental, Demographic.
- ☐ **STEEPLE:** Social/Demographic, Technological, Economic, Environmental, Political, Legal, Ethical.
- ☐ **SLEPT:** Socio-Cultural, Legal, Economic, Political, Technological.

**Step 2: Brainstorm Opportunities**

Once you've identified the changes that are taking place in your business environment, it's time to look at each change, and brainstorm the opportunities that this could open up for you. For example, could it help you develop new products, open up new markets, or help you make processes more efficient?

**Step 3: Brainstorm Threats**

It's also important to think about how these changes could undermine your business. If you understand this early enough, you may be able to avoid these problems, or minimize their impact.

For example, if a core part of your market is in demographic decline, could you open up other areas of the market? Or if technology is threatening a key product, can you master that technology and improve the product.

### ***11. Scenario building:***

Scenarios are the pictures of possible future. They are built on the basis of time ordered sequence of events that have logical cause and effect relationship with each other. Scenarios are built to address future contingencies.

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