# Unit 3 — Strategy Formulation

Strategic Management | BMB 301 / KMBN 301

# Unit 3: Strategy Formulation

## Exam Blueprint (2022–2025 papers)

| Topic | Years asked | Marks |
|---|---|---|
| **Cost leadership / Differentiation / Focus** | 2022, 2023, 2024 | 2 & 10 |
| **Growth, Stability & Retrenchment strategies** | 2022, 2023, 2024 | 10 |
| **Strategic alliances / JV / cooperative strategy** | 2022, 2024, 2025 | 2 & 10 |
| SWOT analysis | 2024, 2025 | 2 & 7 |
| Functional strategies | 2022, 2025 | 2 & 7 |
| Corporate parenting | 2024 | 10 |
| Outsourcing and offshoring | 2023 | 2 |
| Horizontal vs Vertical integration | 2023 | 2 |
| Concentric vs Conglomerate diversification | 2022 | 2 |

YE QUESTION BAAR-BAAR AAYA HAI

2022 me ek twist aaya tha — *"Is it possible to follow cost leadership, differentiation and focus simultaneously?"* Sirf definitions ratne se kaam nahi chalega; Section 2.4 padho.

## 1. SWOT and TOWS

DEFINITION - RATTA MAARO

**SWOT** is a situational analysis that matches internal **S**trengths and **W**eaknesses with external **O**pportunities and **T**hreats to identify the strategic factors on which strategy should be built.

| | Internal origin | External origin |
|---|---|---|
| **Helpful** | **Strengths** — core competences, brand, patents, skilled staff | **Opportunities** — new markets, deregulation, rising income |
| **Harmful** | **Weaknesses** — obsolete plant, weak distribution, high cost | **Threats** — new entrants, substitutes, adverse regulation |

### 1.1 TOWS Matrix — SWOT se strategy kaise banti hai

SWOT sirf list banata hai; **TOWS** us list ko strategy me badalta hai.

| | Opportunities (O) | Threats (T) |
|---|---|---|
| **Strengths (S)** | **SO — Maxi-Maxi** Strengths se opportunities pakdo (aggressive growth) | **ST — Maxi-Mini** Strengths se threats se bacho (diversification) |
| **Weaknesses (W)** | **WO — Mini-Maxi** Opportunities se weaknesses door karo (turnaround) | **WT — Mini-Mini** Weakness aur threat dono minimise karo (defensive) |

> **EXAM TIP - AISE LIKHO**
>
> SWOT ke question me TOWS matrix bhi likh do — extra marks milte hain, kyunki zyadatar students sirf SWOT likhte hain.

**Limitations of SWOT:** long unprioritised lists; subjective; static snapshot; doesn't say *how* to act; same factor can be a strength and weakness depending on context.

## 2. Porter's Generic Competitive Strategies

| | Lower cost | Differentiation |
|---|---|---|
| **Broad target** | **Cost Leadership** | **Differentiation** |
| **Narrow target** | **Cost Focus** | **Differentiation Focus** |

### 2.1 Cost Leadership

**Meaning:** become the lowest-cost producer in the industry while maintaining acceptable quality.

**Sources:** economies of scale, experience curve, process innovation, low-cost inputs, tight overhead control, high capacity utilisation, standardisation.

| Conditions | Benefits | Risks |
|---|---|---|
| Price-sensitive buyers; standardised product; low switching costs | Defends against all 5 forces; survives price wars; scale acts as entry barrier | Technology change kills the cost base; imitation; quality/brand erosion; buyers start valuing features |

*Examples:* Jio, IndiGo, DMart, Xiaomi.

### 2.2 Differentiation

**Meaning:** offer a product perceived industry-wide as unique, and charge a premium exceeding the extra cost of uniqueness.

**Bases:** quality, brand image, features, design, technology, customer service, distribution.

| Conditions | Benefits | Risks |
|---|---|---|
| Diverse buyer needs; many ways to differentiate; buyers not price-sensitive | Brand loyalty lowers price sensitivity; premium margins; loyalty is an entry barrier | Premium becomes too large; imitation; basis stops mattering to buyers; over-differentiation |