

Business Development From Start to Scale
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Department of Management Studies
Indian Institute of Technology, Madras

Week - 01
Business Fundamentals
Lecture - 01
Understanding Business Development

Hi friends, welcome to the NPTEL course Business Development From Start to Scale.

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Introduction to the Course



First of all, I will provide an introduction to the course.

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About the Instructor, Prof. C Bhaktavatsala Rao...

- Received Ph.D. Degree in Industrial Management and M.Tech. Degree in Industrial Engineering from the Indian Institute of Technology Madras, Chennai. Received B.E. Degree in Mechanical Engineering from Sri Venkateswara University, Tirupati.
- Have over forty-eight years of diversified experience in strategic and operational leadership of large reputed companies, including global MNCs, in India. My last fulltime assignment was as Managing Director and Executive Chairman of Pfizer Healthcare India Private Limited.
- Have been passionate about writing and publishing as well as teaching. Have over 170 publications in economic and business dailies and refereed journals.
- Have established LeaderCrest Academy for high quality academic publishing. Have authored and published ten books under LeaderCrest banner over the last five years.
- Currently serving as Ajit Singhvi Chair Professor in Management Studies, DoMS, at the Indian Institute of Technology Madras, Chennai.
- Have offered three Courses "Entrepreneurship: Perspectives of Business Strategy and Economic Development", "Leadership for India Inc: Practical Concepts and Constructs", and "Strategy and Technology: A Practical Primer" on NPTEL-Swayam Platform. This course "Business Development: From Start to Scale" is the fourth one.



My name is C Bhaktavatsala Rao, C B Rao in short, I have received my PhD degree in Industrial Management and M.Tech degree in Industrial Engineering from the Indian Institute of Technology Madras, Chennai. I have received my B.E. Degree in Mechanical Engineering from Sri Venkateswara University, Tirupati.

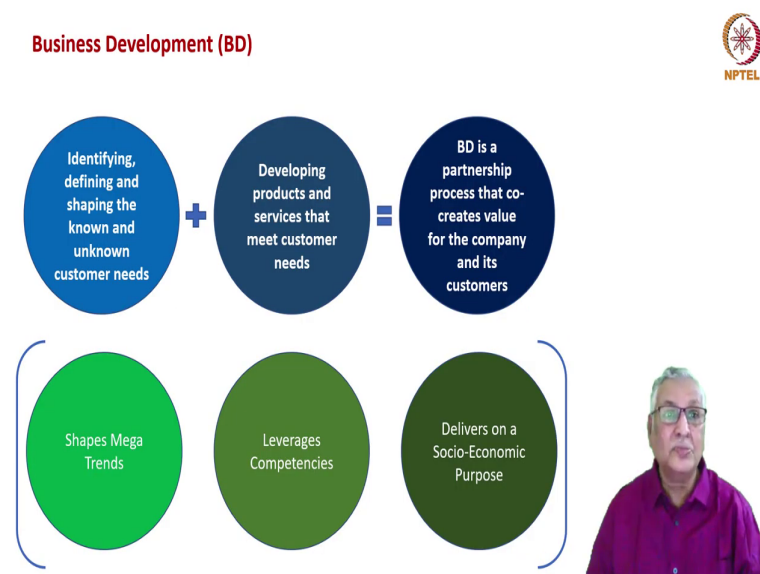
I have over 48 years of diversified experience in strategic and operational leadership of large reputed companies, including global MNCs in India. My last with full time assignment was as Managing Director and Executive Chairman of Pfizer Healthcare India Private Limited. I have been passionate about writing and publishing as well as teaching. I have over 170 publications in economic and business dailies and refereed journals.

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currently serving as Ajit Singhvi Chair Professor in Management Studies, DoMS, at the Indian Institute of Technology Madras, Chennai. I serve as non-executive director on the boards of select companies and also render some advisory services for Indian and multinational corporations.

I have offered three courses “Entrepreneurship: Perspectives of Business Strategy and Economic Development”, “Leadership for India Inc: Practical Concepts and Constructs”, and “Strategy and Technology: A Practical Primer” on NPTEL-Swayam Platform. This course which is being offered this semester is the fourth one. Therefore, the other course Leadership for India Inc: Practical Concepts and Constructs is also being offered in parallel.

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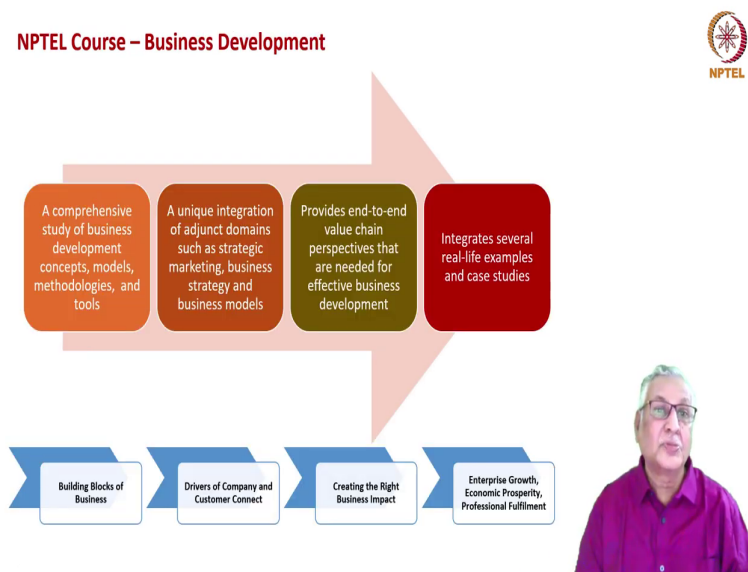


Business development is the process of identifying, defining and shaping the known and unknown customer needs. It helps the company develop products and services that meet

customer needs. Business development is a partnership process that co-creates value for the company and its customers. Business development helps a company understand the mega trends that are emerging in the economy and in the industry.

It leverages the competencies of individuals as well as the organization in the overall. It delivers on a socio-economic purpose as well.

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This course is a very unique course. It is a comprehensive study of business development concepts, models, methodologies and tools. It is a unique integration of the adjunct domains such as strategic marketing, business strategy and business models with the core course of business development. It provides end to end value chain perspectives that are needed for effective business development. In doing so, it also integrates several real life examples and case studies.

As you quiz through the course, you will understand the building blocks of business, the drivers of company and customer connect. And, you also will understand how you can create the right business impact by a mastery of business development. All of this will lead to enterprise growth, economic prosperity and professional fulfilment.

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Business Development: Course Structure... (1/3)

Week	Theme	Lectures
1	BUSINESS FUNDAMENTALS	1. Understanding Business Development 2. Marketing and Business Development 3. Markets and Marketing 4. Strategy Formulation 5. Business Development Cases
2	BUSINESS DEVELOPMENT STRATEGIES	6. Successful Businesses 7. Industry and Market 8. Vision, Mission and Strategy 9. Goals 10. Case Studies of Business Development Excellence
3	INDUSTRY STRUCTURE AND COMPANY ANALYSIS	11. Industry and Business 12. Porter's Five Forces Theory 13. Industrial Transformations 14. Competitive Strategies 15. Company Analysis
4	MARKET AND COMPETITOR ANALYSIS	16. Industry, Market and Business 17. Industry and Market Analysis 18. Market Structures 19. Demand Forecasting 20. Competitor Analysis
5	CONNECTING WITH CUSTOMERS	21. Customer Characteristics 22. Customer Typologies 23. Market Research and Design Thinking 24. Customer bonding 25. Customer Relationship Management



This is a 12 week course and, each week we will focus on one theme and each lecture we will focus on one topic. The themes are business fundamentals, business development strategies, industry structure and company analysis, market and competitor analysis, connecting with customers.

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Strategy and Technology: Course Structure... (2/3)

Week	Theme	Description
6	BUSINESS AND MARKET SEGMENTS	26. Market and Market Descriptors 27. Market and Product Segmentation 28. Product-Market Segmentation 29. Segmentation Deep Dive 30. Market Attractiveness and Competitive Positioning
7	BRANDING AND PRICING	31. Branding 32. Brand Organisation 33. Advertising and Communication 34. Servitization 35. Pricing
8	CORPORATE DEVELOPMENT	36. A New IT Start-up 37. An FMCG Start-up 38. A Logistics Start-up 39. A Nutraceuticals Start-up 40. A Telecom Fightback
9	BUSINESS DEVELOPMENT STRUCTURES	41. Collaborations 42. Strategic Alliances 43. Joint Ventures 44. Subsidiaries 45. Mergers and Acquisitions
10	BUSINESS DEVELOPMENT COMPETENCIES	46. Value Chain Competencies 47. Functional Competencies 48. Negotiating Skills 49. Cultural Skills 50. Leadership Attributes



Business and market segments, branding and pricing, corporate development, business development structures, business development competencies.

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Strategy and Technology: Course Structure... (3/3)

Week	Theme	Description
11	STRATEGIES FOR MARKETS AND INDUSTRIES	51. Growth Strategies 52. Growth Examples 53. Fragmented Industries and Emerging Industries 54. Mature Industries and Declining Industries 55. Global Industries and New Businesses
12	BUSINESS DEVELOPMENT CASE STUDIES	56. A Pharma Transformation 57. Pharma Strategic Alliances 58. Business Turbulence 59. Creating Value 60. From Start to Scale In Closing



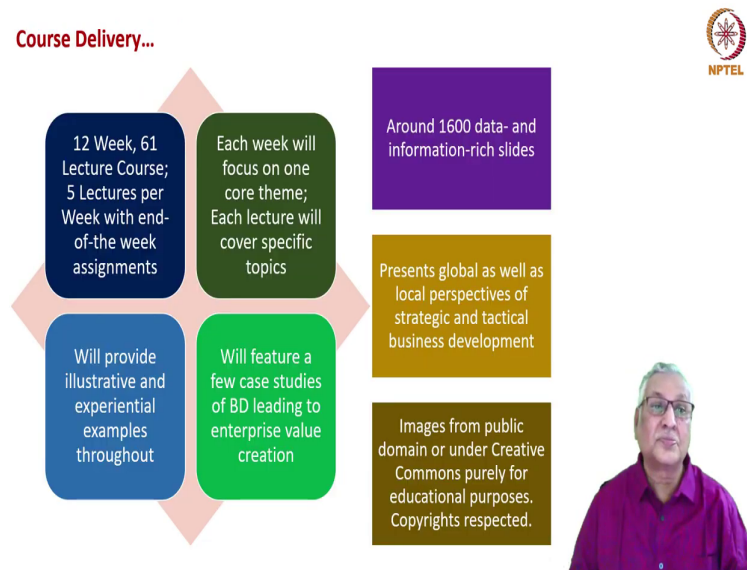
Multiple Enriching Case Studies, across Businesses and Industries

Start-ups	Companies	Conglomerates
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Strategies for markets and industries and finally, five important business development case studies. The course will end with a summary capsule course that is an enclosing capsule (Refer Time: 04:15) course. This course is enriched by multiple case studies and these and these case studies cover businesses and industries in varying shades. Start ups companies and conglomerates will be covered as part of the case work.

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As I said this is a 12 week course, there would be 61 lectures. In total 5 lectures per week, excluding the summary course at the end. There will be end of the week assignments. Each week we will focus on one core theme, each lecture we will cover specific topics. I will be providing several illustrative and experiential examples throughout. The course will feature as I said case studies of BD leading to enterprise value creation.

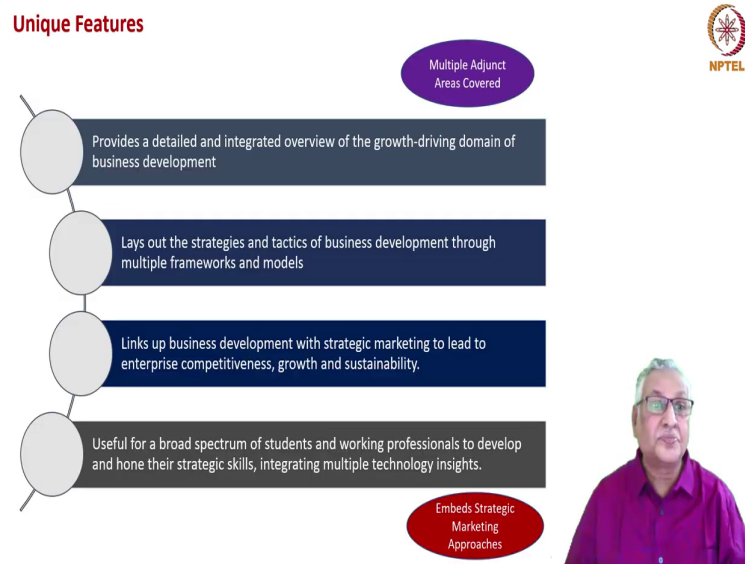
These are full scale case studies of how a company has grown from its initial stages to the current scaled up stage. There are around 1600 data and informations related slides and this is a very unique course delivery mechanism, that I have followed throughout my NPTEL lecture series.

And, you will find these course materials very useful, not only now for the course purposes, but also as a guidance document set as you go along your professional journey. It will have

several global and local perspectives as part of the course work and there will be focus not only on the strategic aspects of business development, but also on the tactical requirements of business development.

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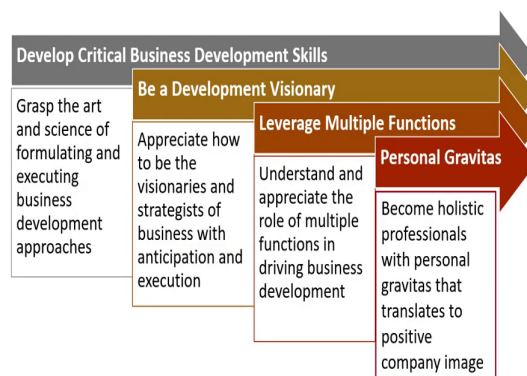


What are the unique features of this course? One, it provides a detailed and integrated overview of the growth driving domain of business development. Two, it lays out the strategies and tactics of business development through multiple frameworks and models. Three, it links up business development with strategic marketing, a very very important strategic adjacency to lead to enterprise competitiveness, growth and sustainability.

This course will be found useful by a broad spectrum; students, working professionals and as academicians to develop and hone their strategic skills, integrating multiple technology insights. As I said multiple adjunct areas are covered in this and it embeds strategic marketing approaches all through.

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Upon Completion of the Course, Participants are Likely to...



Upon completion of the course, participants are likely to achieve four important developmental capabilities. One, you would have acquired critical business development skills. You would be understanding the art and science of formulating and executing business development approaches.

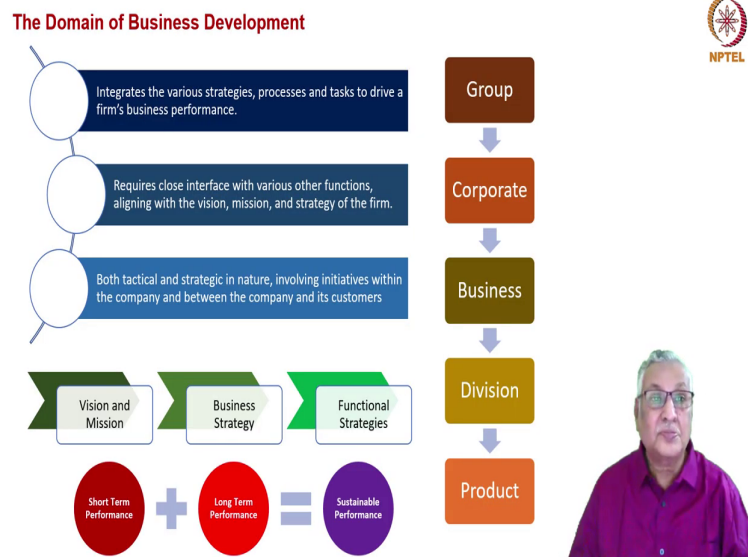
You will also become a development visionary, because of the nature of the theory constructs nature of the case studies, you will understand and appreciate how to be visionary and

strategist for your company. And, you will understand business development in terms of the current course of development as well as in the futuristic potential.

And, you will be able to understand how to be anticipatory and also execution oriented in your professional journey. So, in all you will be a development visionary. Thirdly, you will be leveraging multiple functions in your business development activity after the course is completed and you understand how multiple functions are integrated with business development domain.

Then, you will be understanding and appreciating the role of multiple functions in driving business development and you will respect them and also you will utilize them appropriately with respect. And finally, because of the inputs that are received, your personal gravitas will enhance. You will become holistic professionals with personal gravitas that translates to positive company image.

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Now, we will come to the course per se. The domain of business development integrates various strategies, processes and tasks to drive a firm's business performance. It requires close interface with various other functions, aligning with the vision, mission and strategy of the firm. Business development is a process that is both tactical and strategic in nature. It involves initiatives within the company and between the company and its customers.

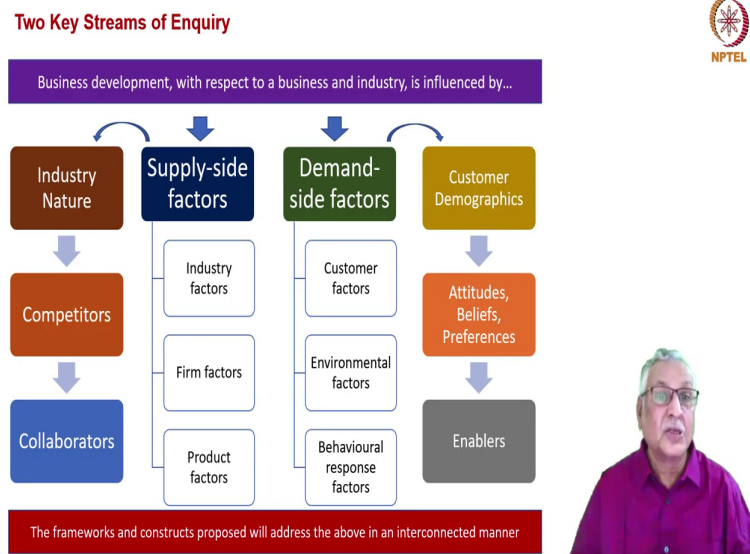
So, when you talk about a company, there are different types of companies. There are small companies as well as large companies. If you want to understand the hierarchy of companies, you can move at a global group level and come to the smallest entity called the product. So, if you take the example of Tata group, Tata group is a group. It has got several companies within the conglomerate umbrella that Tata group is and each company may have several businesses as well.

For example, if you take the Tata consumer beverages business, it is a part of the Tata consumer products company as a whole. Therefore, each company will have sub businesses which are important for the company's development and each business could even have a division within itself and each division would have a product. And, driving all of these things together is a process which top leaders are interested with. They need to develop the vision and mission for the company.

They need to develop the business strategy for the company and cascade those strategies into functional strategies. So, short term performance which is important for the company to be successful and profitable, long-term performance to make the company sustainable and growth oriented for the future or two critical aspects of business strategy and business development.

And, this course tries to provide you enough insights into these two activities and when you have short term performance ticking very well, when you have long term performance shape pickup very well. You will have on the whole sustainable performance for the company as well as the conglomerate in case a conglomerate is involved.

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There are two key streams of enquiry in business development. With respect to any business or any industry, business development is influenced by two important streams of factors. One the supply side factors, two the demand side factors. What are the supply side factors? The industry factors, the nature of the industry, the inputs to the industry, the outputs to the industry, the linkages with the environment and so on.

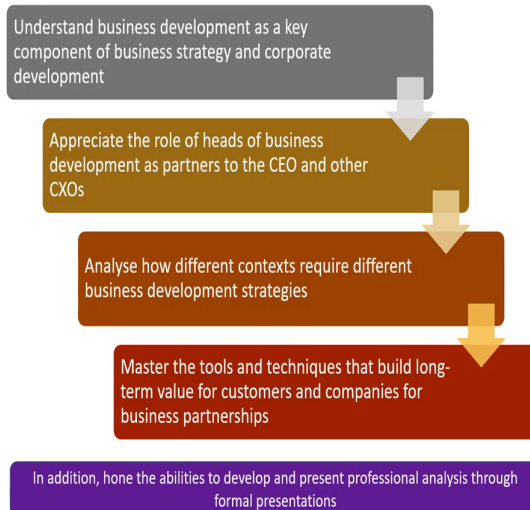
There are also firm factors that is what are the firms which are the constituents of the industry and what kind of products they provide. Coming to the demand side factors, you have the customer needs, you have the environmental requirements and imperatives and there are also behavioural response factors which are somewhat independent, but very influential on all of these factors.

When you look at the supply side factors, you have the nature of the industry, you have the number of competitors that are operating in the industry as well as the collaborators who are operating in the industry. In terms of the demand side factors, the demographic factors related to the customers, the attitudes, beliefs and preferences that the customers have and these are the important aspects.

But, influencing the demand are certain enabling factors, it could be related to the economic factors, environmental factors, social factors, community factors or the overall global factors. The frameworks and constructs proposed in this course will address the above in an interconnected manner. I will be dealing with each of these sub subjects progressively, but in as much depth as possible within the boundaries of this course.

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Course Level Learning Outcomes



So, what do we have as a learning outcome? As I said, we will try to understand the business development methodology as a key component of business strategy and corporate development. We will also focus on the roles and responsibility of the heads of business development, how they should be partners to the CEO and other CXOs. We will also analyze how different contexts require different business development strategies.

We will also master the tools and techniques that build long term value for customers and companies for business partnerships. In addition, we will also develop a critical thinking process. How do we develop and present professional analysis through formal presentation will be one of the important by products of this course.

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Differences between Sales, Marketing and Business Development

Sales, Marketing and Business Development are not synonymous with each other. There are important differences.

Factor	Sales	Marketing	Business Development
Essence	The process of selling a product or service to a customer at a given point of time	The process of addressing the total market for a product to develop and fulfill demand over a timeline	The process of creating partnerships between the company and other stakeholders for developing business
Orientation	Transaction between the firm and the customer for mutual consideration	Experience of the customer with the product for long term association	Creating structures and relationships for long term value creation
Focus	Company needs and targets	Customer needs and trends	Business synergy between the company and its customers
Scope	Sale	All activities including but not limited to market research, pilot, sale and service	All activities related to but not limited to analysing mutual business needs and fulfilling the needs
Methodology	Induce shoppers and customers to buy	Create a customer-centric experience	Develop a value proposition for strategic association
Metrics	Revenue and Profit	Brand value	Business growth
Rule	Caveat Emptor	Caveat Vendor	Transparency
Techniques	4Ps (Product, Price, Place, Promotion)	4 Vs (will be presented later)	4 Cs (will be presented later)
Skills required	Selling and communication skills	Conceptual and analytical skills	Strategic business skills and Value chain capabilities
Objective	Business growth	Sustainable business growth	Sustainable strategic business growth



For you, but before we go into greater depth, let us understand certain important terms that keep popping up from time to time in this course. You yourself as part of your other academic

studies as well as your professional journeys, frequently come across the terms sales marketing and business development. Many people use these three terms almost synonymously or in substitution of each other, but not it is really not so.

There are important differences between sales, marketing and business development. What is sales? In essence, sales is the process of selling a product or service to a customer at a given point of time. Marketing on the other hand is the process of addressing the total market for a product to develop and fulfil demand over a lifetime and over a timeline.

Business development is the process of creating partnerships between the company and other stock and other stakeholders for developing the business. If it is so what is the orientation of a typical sales officer, a marketing officer and a business development officer? A sales person or a sales functionary typically looks at the transaction between the firm and the customer.

I am offering the product of the company; I need the consideration from the customer and that has to be a mutual consideration and hopefully a mutually beneficial consideration. Marketing on the other hand looks at the experience of the customer with the product and tries to create a long-term association. It is not just today's sale, but is the long term relationship that is the focus of marketing.

Business development creates structures and relationships for long term value creation for the company as well as for the customers. As you can see the focus and the thrust of the functionaries representing sales, marketing and business development vary significantly.

What is the respective for sale? Salesperson looks at company needs and targets. Marketing person looks company needs, but looks at the trends. A business development person looks at the business synergy between the company and its customers. The scope of a sales person typically is at the sales level. A marketing person looks at all activities including, but not limited to market research; piloting of a product sale and service.

So, marketing is much more comprehensive and a business development person looks at all the activities related to, but not limited to analyzing mutual business needs and fulfilling the

needs. Business development not only looks at the company's perspectives, but also the partners perspective and creates a lasting relationship. The methodology of a sales person is to induce shoppers and customers to buy.

The methodology of the marketing person is to create a customer centric experience and the business development executive looks at developing a value proposition that is tenable for a strategic association. The metrics by which a salesperson judges himself or herself and the company itself judges him or her is through revenue and profit metrics.

Marketing is judged by the brand value it is able to create. We constantly do brand audits in well-developed FMCG and other companies to assess the effectiveness of a marketing function. Business development is assessed through the business growth. The rule that sales adopts is caveat tempter. Marketing caveat vendor and business development transparency. Techniques that are adopted by the salesperson; product, price, place and promotion.

I will present the techniques that are offered, the platforms that are offered by marketing in its quest; 4 Vs, I will present them during the course. And, business development looks at 4 Cs, again this will be presented as we go through the course. So, this combination of 4 Ps, 4 Vs and 4 Cs is again a very unique offering of this course. You will not find it in any singular text.

The skills required for a salesperson are selling and communication skills. The skills required for marketing person are conceptual and analytical skills whereas, for the business development person, strategic business skills and value chain capabilities will be required. The objectives of course, or in terms of business, the sales person looks at business growth.

Marketing person looks at sustainable business growth, not just yearly targets. The marketing person looks at long term growth targets, whereas a business development person looks at sustainable strategic business growth. So, when you look at this as an overall summary, you will find that there are important differences between sales, marketing and business development.

We cannot conclude; however, that business development is superior to marketing and marketing is superior to sales, nor can we conclude the other way. All the three functions are required and each has got its unique role, important role. One provides immediate annual sales, the other provides sales annually, but in a growing fashion. And, the third provides durable sustainable partnerships for the company's growth.

So, there are important differences between the between these three sub functions, even as each of these functions is involved with business growth.

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Defining Business



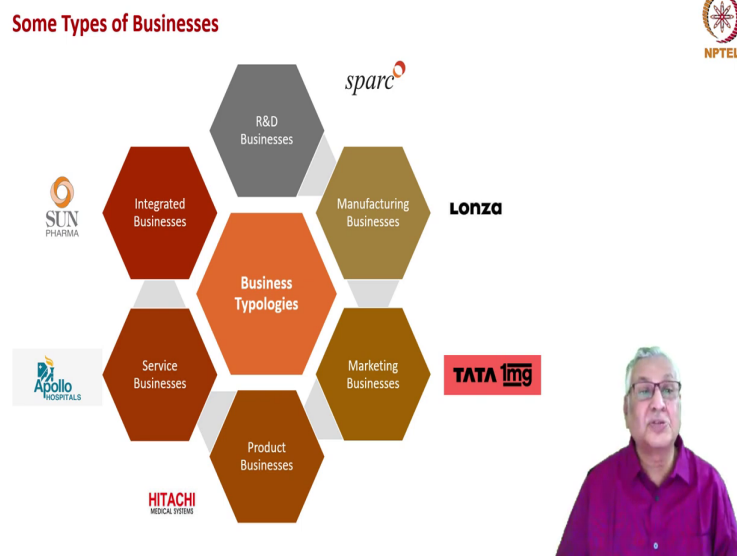
Business is the activity of an organisation to develop, manufacture, and/or market products and/or services to individuals or entities to earn revenues and profits and generate returns to the investors



So, now, time has come to define business. What is business? Business is the activity of an organization to develop, manufacture and or market products and or services to individuals or

entities and the objective is to earn revenues and profits and generate returns to the investors that is what business is about.

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There are many types of businesses and there are so many businesses; hundreds of them actually that it is impossible to list them out here. But you can look at few important types of businesses. You can have a business that is manufacturing oriented, you can have businesses that are marketing oriented. There could be a product oriented businesses, service oriented businesses, integrated businesses and R and D businesses.

SPARC, an R and D subsidiary of Sun Pharma focuses only on designing and developing molecules for medicinal needs. It is an R and D oriented business. Therefore, it is an R and D business. Lonza a third party supplier, developer and manufacturer, contract manufacturer

developer as we call such companies; develops products and services based on manufacturing requirements of other companies.

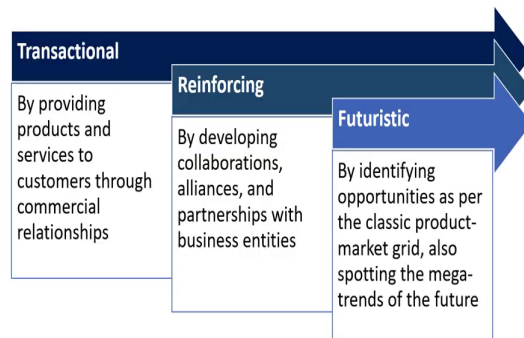
There are companies which you look at marketing themselves to provide certain services, marketing businesses. There are companies which provide out and out very involved, very complex products. You take the example of Hitachi Medical Systems which provides imaging equipment or other kind of medical devices.

There are companies which are very much in service, healthcare service for example, Apollo hospitals is a leading example. And, when we talk about integrated businesses, they do development that is R and D, manufacturing, marketing and various other functions are involved in this process. Sun Pharmaceuticals is an example of such integrated business.

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Defining Business Development

Business development involves anticipating, identifying and developing opportunities for enhancing business.



So, if business is what I have stated so far; what is business development? I have talked about business development in its overall context, but let us look at a few other insights of business development. Business development involves anticipating, identifying and developing opportunities for enhancing business. There are three aspects of business development which we must be cognizant of.

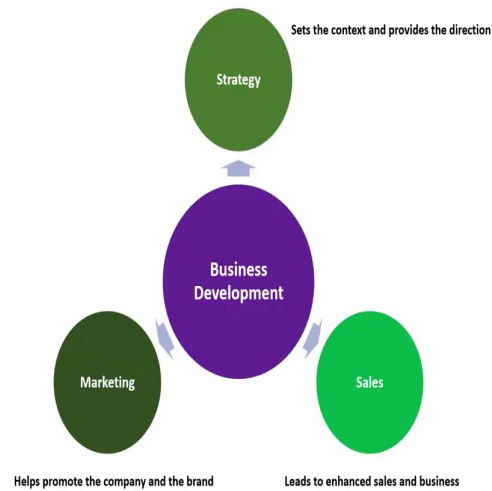
One, a transactional aspect, second a reinforcing aspect and third is a futuristic aspect. What is the transactional aspect? Like sales and marketing, business development also provides products and services to customers through commercial relationships. If as a business development executive have no products or services to offer, there is no basis for dialogue with another partner.

So, a partner looks for products and services from another partner. As a business development executive, even if you do not have current products and services, you can develop a relationship based on future products and services. So, that is a transactional aspect of business development. The second aspect of business development is continuous reinforcing of relationships by developing collaborations, alliances and partnerships with various business entities.

You can provide a network of business connectivity, marketing connectivity for the company. And, third business development is always futuristic. It tries to identify opportunities, not only as per the classic product market grid, but also by spotting the mega trends of the future. So, the responsibility of business development is very vast.

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Allied Functions and Processes

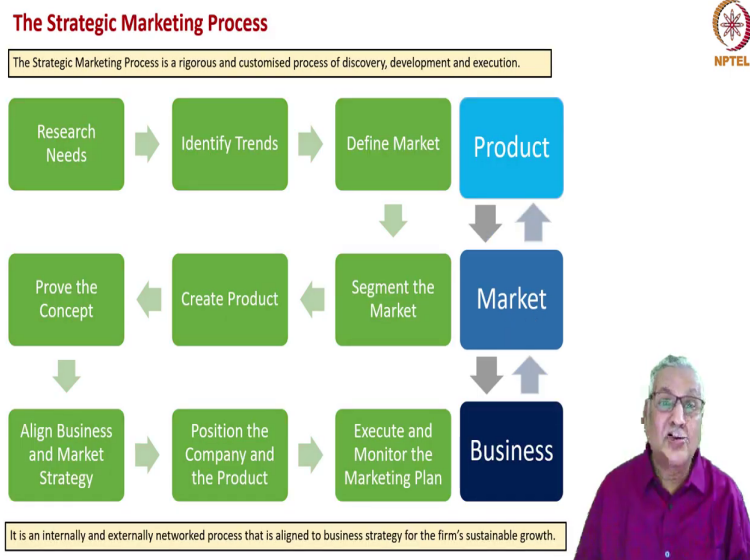


As I briefly mentioned, there are allied functions and processes for business development. Fundamentally, business strategy is very much alike to business development, because it sets the context and provides the direction. A business development cannot go into the market or to the industrial place and do whatever the person wants. Whatever the business development person does, needs to be aligned with the business strategy of the company.

Secondly, business development has to eventually lead to marketing that is the company and its brand as well as the products and services must be promoted as part of the business development activity. And, once that is done at a macro level or a high level or at a strategic level, marketing function takes over and helps. The third one is that the entire series of processes which I have outlined; strategy, business development, marketing must result in a robust sales platform.

customer to appreciate the product. Then you try to close the sale, you collect the cash and then you repeat the contact. This is the typical selling process and it is happening because company and customer need a bridge and that bridge is the product or service sale. And, who makes it happen? The salesperson.

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When you look at the strategic marketing process, that is a more rigorous and customized process. It discovers and develops the market place and it also helps the company execute in the market place. So, it tries to understand the market through its research. It identifies the trends and it defines the market.

For example, are the consumers preferring energy drinks or they are preferring the food beverages or are they preferring the carbonated drinks? What are the trends that are now

available? Within the fruit drinks are you preferring as a customer, the pulpy fruit drink or non-pulpy fruit drink, is there a preference in terms of sugary or non-sugary fruit beverages.

Is there a trend in terms of tetra packing or normal packing? So, which works well? So, these are the trends that are understood and presented to the company by the marketing person. Once you do all of that market research, you segment the market and then you create product for the market segment or these segments you create several products.

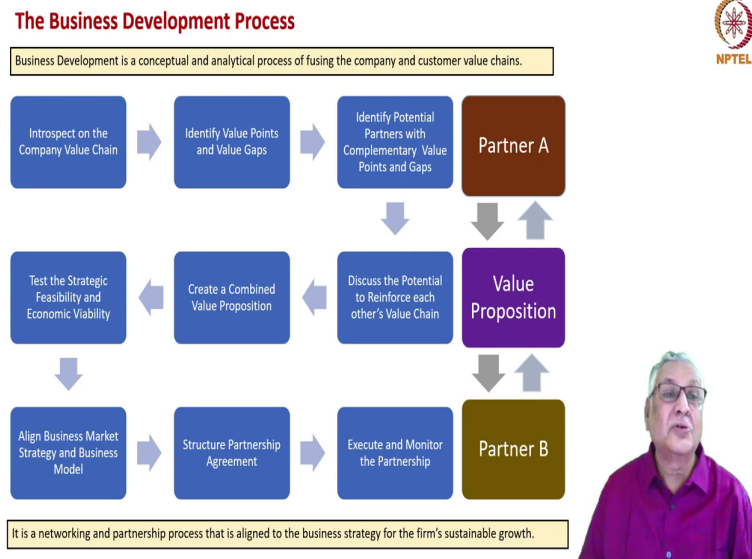
Then, you prove the concept and then you align the business and market strategy. The development of business strategy takes place as a high-level process, but it does not mean that market and market research cannot influence the business strategy. Therefore, there would be an alignment of business market strategy in a dynamic, agile and flexible organization.

Then, you position the company and the product and execute and monitor the marketing plan. Let us say you have the example of edible oil, there are number of edible oils, but which edible oil is preferred by which customer that is the homemaker. For which need is it for a shallow frying, deep frying, simple cooking and for what other purposes, depending upon that you position a particular edible oil for that.

And, what are the characteristics the person is looking for in the edible oil? It is kind of a look feel or is it in terms of the frying capability, is it in terms of the nutritional capability, how heart healthy the oil is. These are all the features that are implicit in a customer's mind and some of the features you can advocate and make them implicit in the customer mind.

And finally, therefore, you create a marketing plan which company executes. Here, the linkage is between the product and the business and the marketplace is the transaction platform for that to happen.

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Then, look at the business development process. It is a conceptual and analytical process of using the company and customer value chains. First of all, you will introspect on the company value chain, you identify the value points and value gaps through the value chain. You identify potential partners and you understand who is complementary to you.

For example, you are manufacturer of a castings and an automobile company is a demand source for the castings. The automobile manufacturer does not have a foundry and you have a foundry, but you do not have any end use. So, you are ideal partners to each other. There are important complementary value points and gaps.

You try to identify several such relationships and make those relationships become actual in practice. Then, you discuss the potential to reinforce each others value chain. It could happen

across the borders as well versus automobile companies may be requiring high quality, but low cost components; that is the value perception they have of India.

And, you have to prove to them that your company has got that capability to supply components that fill the value point as well as the value gap. Therefore, you create a combined value proposition. You should never say as a business development person that this is what is the value proposition that sells for me. You should look at a value proposition that develops the partnership between two companies and is a win-win for both the companies.

And, then you test the strategic feasibility and economic viability. Why do you do that? You want to understand whether the partner has got the long-standing history as well as the capability to be a long strong standing partner for the future. Similarly, the other partner will look at your financial strength, your ability to deliver on the promises and so on.

Once you do that, you are going to align the business market strategy and business model and then you enter into a partnership agreement, you execute and monitor the partnership. So, in this case value proposition is the bridge between partner A and partner B.

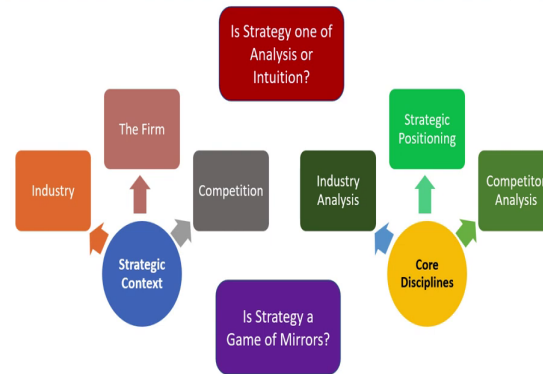
Business development therefore, is a networking and partnership process that is aligned to the business strategy for the firm sustainable growth. So, you have seen that there is a sales process, there is a marketing process and there is a business development process. All of these things lead to improved business, enhanced business for the company.

But the way the process organizes itself, the way the process is conceptualized, the way the process is executed is different in respect of each of these three sub functions; namely sales, marketing and business development.

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What is Strategy?

Simply put, strategy is a plan of action to achieve certain goals. Many times, goals are also set by the strategy process itself. Michael Porter popularized competitive strategy, rather than just strategy, as the key concept.



The study of competitive strategy is considered integral to the study of any function. That's because, for a firm, the competitive strategy goes beyond the sum of functional strategies. The former must drive the latter, not vice versa.



So, already you have heard a lot about the word strategy and I am hopeful that you would have gone through a strategy course. Even, if you have not gone through a strategy course, you will find enough inputs in this course of strategy which is definitely a value add for you. Simply put strategy is a plan of action to achieve certain goals.

Many times, goals are also set by the strategy process itself. It is not that magically you think of a goal, that is that I have a mission of becoming a clean energy company. It also comes as a part of your discovery process in strategy formulation. As you undergo the strategy process, you cross the various stage gates of understanding the environment and competition, you will discover that there are several other goals that could be very important for you.

So, goals are set usually for the strategy process, but the strategy process itself can help you fine tune the goals or create new goals. Michael Porter popularized competitive strategy

rather than just strategy as the key concept. As you try to understand strategy, you are always going to be faced with two philosophical dilemmas. First philosophical dilemma is strategy one of analysis or intuition.

Second is strategy a game of mirrors that is company A does adopt a particular strategy and you try to adopt that kind of strategy. So, is it a game of mirrors or is it something very unique for each form? And, to answer that we have to delve little deeper into what strategy is and how universalised understanding of strategy can be. Strategic context is the context which an industry faces a firm faces and a competition faces.

Let us say the crude oil prices go up, then the strategic context for the paints company is that the cost of the paint will go up because, crude and its by products are important inputs for the paint manufacturing process. If the semiconductors are in short supply, the automobile production gets reduced and the cost of production itself could go up that is a strategic context.

So, there is a strategic context for every industry, there is a strategic context for the firm and there is a strategic context for competition. If the Russia Ukraine war reduces the supply of grains or makes the supply of a crude edible oils wavy and volatile, that is an important strategic context for firms which are in FMCG business or edible oil business in the country.

So, strategic context is very important. And, how do you understand the strategic context and how do you position yourself in the strategic environment? You have three core disciplines. One industry analysis, you must be able to understand the industry in all its aspects including the linkages with the environment. You should understand how to strategically position the industry and how the industry is strategically positioned.

And, you should be able to analyze the competitors because the competitor behaviour is also influencing how a company can develop its own strategy. So, strategic context is what is available to you, core disciplines are the levers that are available to position yourself in the strategic context.

And, whether you take an analytical route to strategy or an intuitive route to strategy, whether you look at strategy as an innovative process or just as a game of following the other is left to the wisdom and the innovative bent of mind of the strategist and the CEO in a company.

But, as a matter of principle, if your strategy is futuristic, forward looking; if your strategy tries to take care of the mega trends that are emerging, if the strategy is backed up by the competences in the organization. And in doing so, you do not forget or ignore the short-term performance considerations then that strategy will be effective and competitive.

The study of competitive strategy is not a study only for the strategy function, it is integral to the study of any function. That is because for a firm the competitive strategy goes beyond the sum of functional strategies. It is something more than that, it is a very synergistic strategy; take into account strategies of various other functions.

The former must drive the latter and not vice versa. The functional strategies have to be derived from the overall business strategy or the corporate strategy. It should not be that you adopt certain functional strategies; therefore, you try to build a corporate strategy based on the functional strategies, that is not the way to do it.

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Strategy

Strategy is the key driver of all things a firm or a business wants to do. Every entity will have an overall strategy while each business will have a business strategy. Each function will also have its strategy. Strategy, therefore, is not just one grand plan but is a network of multiple plans. Strategic architecture varies across firms and industries.



While there will be a fair bit of iteration among various functions, and between functions on one hand and business strategy on the other hand, typically business strategy leads to functional strategies.



Now, to delve little deeper, let us understand that strategy itself can have three layers. The first layer at the core is the business strategy that is what you would need to do in the business that you are handling. For a diversified automobile firm having better penetration in the light commercial vehicles is a business strategy for the LCV business group.

Similarly, meeting the diesel generation needs of the industry, diesel power backup needs of the industry is the business strategy for another business of the company. Meeting the marine engine needs is another business strategy, meeting the truck and bus needs again is another business strategy. So, a company may have different business strategies.

When you amalgamate and harmonize all of these business strategies, you get a strategy for the corporation which is called the corporate strategy. And, when you network all the corporate strategies of all the companies in a conglomerate, you get a conglomerate strategy.

So, therefore, you need to understand the concentric circle model of developing strategy from the business to the corporate to the conglomerate. And, within the corporate strategy you have several layers; R and D, operations, marketing, finance, HR, IT which broadly correspond to the functions. There will be lot of iteration among various functions as well as between the functions on one hand and business strategy on the other.

And, typically business strategy is the one which is going to lead to functional strategies. Just because you have a supercomputer in your company and you have a very developed IT department, it cannot mean that you will do something that is wholly related to information technology. You may leverage your superior IT capability, but you will choose a business and a business strategy that is more sustainable, more revenue producing and more futuristic.

And, there are also other aspects such as the founders interests and values, the overall group philosophy and so on. So, with this we come to the end of this lecture 1 of the 1st week. I hope you enjoyed the introduction to the course and laying out of the some fundamental drivers of business development in the company. And, I look forward to meeting you again in the 2nd lecture of week 1.

Thank you very much.