

## **Chapter-4 strategic management, ethics and social responsibility**

### **4.1. Meaning of Strategic Management**

- **Definition:**

Strategic Management is the process of planning, implementing, and evaluating decisions that help an organization achieve its long-term goals.

- **Key Features:**

1. **Long-term focus** – looks at the future, not just today.
2. **Competitive advantage** – helps companies stay ahead of competitors.
3. **Resource allocation** – proper use of people, money, and time.
4. **Continuous process** – not a one-time activity, but ongoing.

- **Simple Example:**

- McDonald's uses strategic management to expand into new countries, adapt its menu (like McAloo Tikki, Jain burger in India), and stay competitive.

## 4.2. SWOT Analysis

SWOT is a tool to analyze the internal and external environment of a business.

- **S – Strengths** (internal, positive factors)
  - What the company is good at.
  - Example: Strong brand name, skilled employees.
- **W – Weaknesses** (internal, negative factors)
  - Areas where the company lacks.
  - Example: Poor online presence, high costs.
- **O – Opportunities** (external, positive factors)
  - Chances available in the market.
  - Example: New customer segments, growth in digital market.
- **T – Threats** (external, negative factors)
  - Challenges that may harm the business.
  - Example: Competitors, changing government rules.

**4.2 SWOT analysis** is a popular tool used to study the internal and external environment of a business. It helps managers understand the company's current position and plan strategies for the future. The term **SWOT** stands for **Strengths, Weaknesses, Opportunities, and Threats**.

**1. Strengths** are the internal positive factors that give a company an advantage over others. They include things the company is good at, such as having a strong brand name, skilled employees, good technology, or loyal

customers. For example, Apple's strong brand reputation and innovation are its strengths.

**2. Weaknesses** are the internal negative factors that hold the company back. These are areas where the company is lacking compared to competitors, such as high production costs, poor online presence, or weak distribution channels. For instance, some traditional retail companies face weaknesses in adapting to digital sales.

**3. Opportunities** are the external positive factors present in the environment that the company can use for growth. These may include expanding into new customer segments, using new technology, or taking advantage of growth in digital markets. For example, food companies today see opportunities in the rising demand for organic and healthy products.

**4. Threats** are the external negative factors that may harm the business. These include challenges like strong competition, changing customer preferences, or government rules and regulations. For example, mobile companies face the threat of rapid technology changes and increasing competition.

Thus, SWOT analysis helps businesses match their strengths with opportunities, improve weaknesses, and protect themselves against threats. It is a simple but powerful tool for strategic planning.

## SWOT Analysis of Apple

### Strengths

- Strong Brand Value
- Innovative Products
- Loyal Customer Base
- High Profit Margins
- Retail Presence

### Weaknesses

- High Prices
- Limited Product Range
  - Closed Ecosystem
- Supply Chain Dependence
- Premium Customer Focus

### Opportunities

- Wearables Growth
- Emerging Markets
- Services Expansion
  - 5G Technology
- Sustainability Trend

### Threats

- Intense Competition
- Rapid Tech Change
  - Govt. Regulations
- Economic Slowdowns
- Counterfeit Products

## SWOT Analysis of Apple Company

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### Strengths (S) – *Internal Positive*

1. **Strong Brand Value** – Apple is one of the most valuable and trusted brands in the world.
  2. **Innovative Products** – Known for iPhone, iPad, MacBook, AirPods, and Apple Watch.
  3. **Loyal Customer Base** – Customers prefer Apple for quality, design, and ecosystem (iOS, iCloud, App Store).
  4. **High Profit Margins** – Premium pricing strategy ensures high revenue and profits.
  5. **Strong Retail Presence** – Apple Stores provide unique customer experience.
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### Weaknesses (W) – *Internal Negative*

1. **High Prices** – Apple products are costly, not affordable for all customers.
  2. **Limited Product Range** – Depends mainly on iPhones for revenue.
  3. **Closed Ecosystem** – Limited compatibility with non-Apple devices.
  4. **Supply Chain Dependence** – Over-reliance on suppliers from China.
  5. **Fewer Market Segments** – Focuses mainly on premium customers, less on middle-income groups.
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## **Opportunities (O) – *External Positive***

1. **Growing Market for Wearables** – Apple Watch, AirPods, and health-focused devices.
  2. **Expansion in Emerging Markets** – India, Africa, and Southeast Asia are potential growth regions.
  3. **Services Growth** – iCloud, Apple Music, Apple TV+, and App Store subscriptions.
  4. **5G Technology** – Opportunity for new models and better customer experience.
  5. **Sustainability Trend** – Growing demand for eco-friendly products (Apple already uses recycled materials).
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## **Threats (T) – *External Negative***

1. **Intense Competition** – Samsung, Google, Xiaomi, and OnePlus offer cheaper alternatives.
2. **Rapid Technology Change** – Risk of products becoming outdated quickly.
3. **Government Regulations & Taxes** – Import restrictions, privacy laws, and anti-trust issues.
4. **Economic Slowdowns** – Recession reduces consumer purchasing power.
5. **Counterfeit Products** – Fake Apple products harm brand image.

### 4.3. Ethical Issues in Management

Ethics in management refers to following moral principles and standards in business decisions. Ethical issues arise when there is a conflict between profit-making and doing the right thing.

- **Common Ethical Issues:**

1. Misleading advertisements (false promises).
2. Unfair treatment of employees (low wages, discrimination).
3. Exploitation of natural resources (pollution, deforestation).
4. Bribery and corruption in business.
5. Manipulation of financial statements.

#### 1. Misleading Advertisements

- Companies sometimes exaggerate or make false claims in their ads to attract customers.
- This is unethical as it cheats customers and damages trust.
- **Example:** A fairness cream promising “instant whitening” is misleading.



## 2. Exploitation of Employees

- Some organizations pay unfair wages, deny employee rights, or create unsafe working conditions.
- Discrimination on the basis of gender, caste, religion, or nationality is also an ethical issue.
- **Example:** Paying women less than men for the same job.



### 3. Unfair Competition

- Engaging in activities like copying competitors' products, price fixing, or spreading rumors about rivals is unethical.
- It harms fair market practices and reduces innovation.
- **Example:** company spreading fake news about competitor's product safety.



#### 4. Environmental Issues

- Many businesses pollute air, water, and land to reduce costs, without caring for society.
- Unethical practices include dumping waste in rivers or excessive use of plastic.
- **Example:** Industries releasing untreated chemical waste into rivers.



## 5. Bribery and Corruption

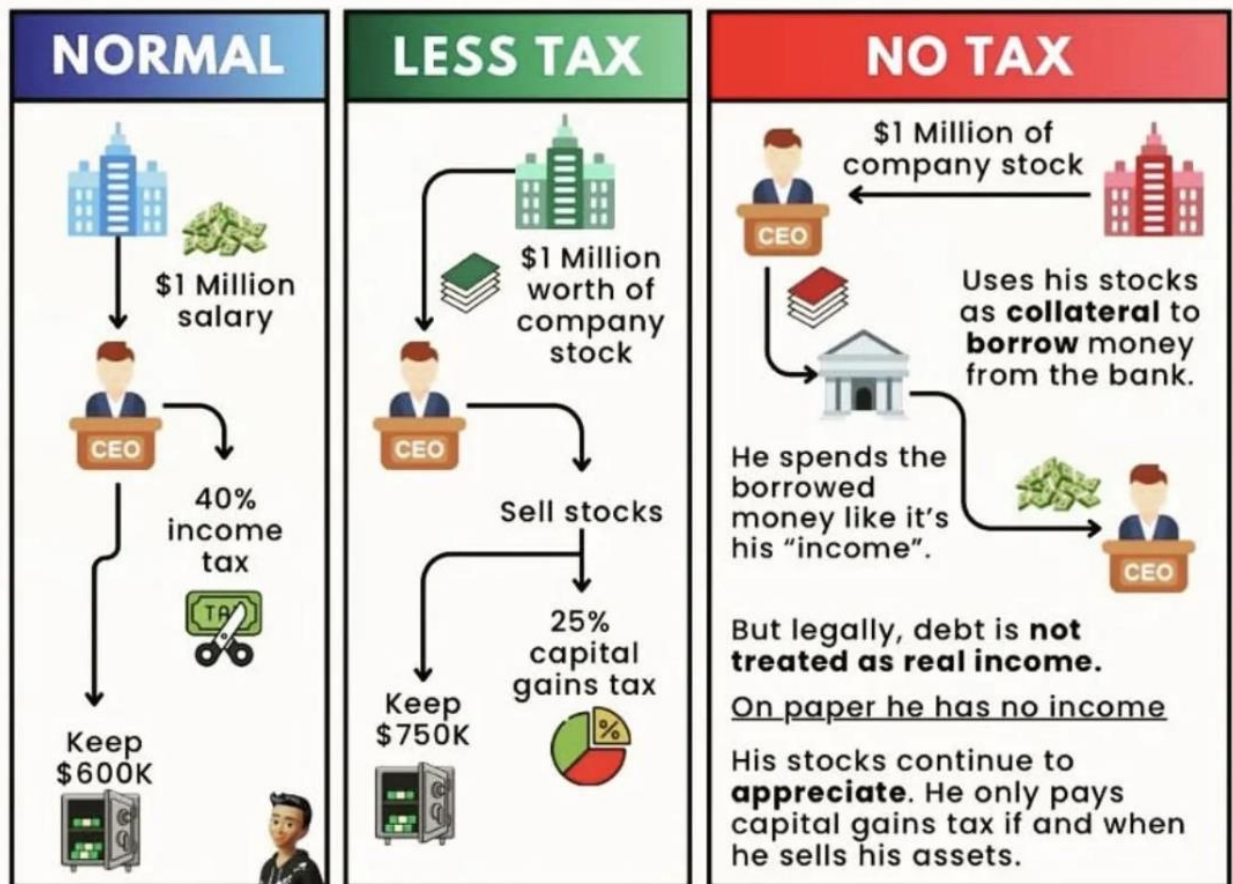
- Some managers or companies pay bribes to government officials or business partners to get contracts, licenses, or tax benefits.
- This damages transparency and fairness.
- **Example:** A builder bribing officials for faster project approval.



## 6. Financial Misreporting

- Manipulating accounts or hiding losses to show fake profits is a major ethical issue.
- This misleads investors and shareholders.
- **Example:** The Satyam scandal in India, where financial statements were manipulated.

# How Rich People Pay No Taxes



## 7. Product quality and safety

Product quality and safety are ethical issues because businesses have a duty to do no harm, respect consumer rights, and uphold integrity in the marketplace. Neglecting them is not just a technical or financial lapse—it's a moral failure.



### Case: Maggi Noodles Ban in India (2015)

- **Issue:** Tests conducted by food regulators in Uttar Pradesh and other states claimed that Maggi noodles contained **lead beyond permissible limits** and **monosodium glutamate (MSG) without proper labeling**.
- **Ethical Concern:**
  - Nestlé India allegedly failed to ensure product safety and proper disclosure.
  - Consumers, including children, were exposed to potential health risks.
  - Labeling was misleading, violating the principle of transparency and honesty.
- **Outcome:**

- The Food Safety and Standards Authority of India (FSSAI) temporarily banned Maggi noodles.
- Huge loss of consumer trust, brand image, and financial setback for Nestlé.
- Later, after fresh testing, Maggi was relaunched, but the case became a **classic example of product safety as an ethical issue**.

- **Importance of Ethics:**

1. Builds trust among customers and employees.
2. Improves reputation and brand value.
3. Reduces legal risks.
4. Ensures long-term sustainability.

- **Example:** A company hiding product side effects (like tobacco firms in the past) is considered unethical.

#### **4.4. Corporate Social Responsibility (CSR)**

Corporate Social Responsibility means that companies have a duty not only to earn profit but also to contribute positively to society and the environment. It goes beyond business activities and benefits the community.

- **Areas of CSR:**

1. Education Skill development – building schools, scholarships.
2. Healthcare – hospitals, health awareness camps.
3. Environment – tree plantation, waste management.
4. Social Development – women empowerment, rural development.
5. Employee welfare

#### **1. Education & Skill Development**

One of the most important areas of Corporate Social Responsibility (CSR) is education and skill development. Companies can contribute by building schools, providing scholarships, and supporting digital learning platforms. They can also organize vocational training programs that help youth develop practical skills for employment. By investing in education, businesses not only uplift communities but also create a future workforce that is skilled and capable. For example, the Infosys Foundation supports schools and libraries across India to improve access to quality education.

## **2. Healthcare**

Healthcare initiatives under CSR aim to improve the well-being of communities. Companies often establish hospitals, mobile health clinics, vaccination drives, and awareness campaigns on hygiene and nutrition. They also support programs to fight diseases like cancer, tuberculosis, and COVID-19. Good health directly impacts productivity and social development, making healthcare a critical CSR area. For example, the Tata Group and Reliance Foundation have invested heavily in healthcare infrastructure and awareness campaigns across India.

## **3. Environment**

Protecting the environment is another vital responsibility of businesses. CSR activities in this area include tree plantation, waste recycling, renewable energy promotion, and reducing plastic usage. Companies also work to minimize their own carbon footprint by adopting eco-friendly production practices. These efforts not only preserve natural resources for future generations but also enhance a company's green image. For example, ITC has adopted sustainable paper and packaging solutions, while many companies run large-scale tree plantation drives.

## **4. Social Development**

CSR in social development focuses on improving the quality of life in society. Companies engage in projects such as rural development, women empowerment programs, and skill-building for underprivileged groups. They support initiatives like self-help groups, micro-finance for small businesses, and awareness drives for gender equality. This ensures inclusive growth and

reduces social inequalities. For example, Hindustan Unilever Limited runs rural development projects that empower women entrepreneurs in villages.

## **5. Employee Welfare**

CSR is not only about serving external communities but also about taking care of employees. Employee welfare activities include providing safe working conditions, fair wages, healthcare benefits, training opportunities, and work-life balance programs. Companies that focus on employee welfare enjoy higher job satisfaction, loyalty, and productivity from their staff. For example, Infosys and Wipro provide extensive employee wellness programs, including health insurance, counseling, and continuous skill development.

- **Importance of CSR:**

1. Builds positive image and goodwill.
2. Strengthens relation with society.
3. Attracts socially responsible investors.
4. Ensures sustainable growth.

- **Example:** TATA Group invests heavily in education and healthcare; Infosys Foundation runs social welfare projects.

## **4.5. Sustainable Management Practices**

Sustainable management refers to managing resources and business activities in a way that meets present needs without harming future generations. It ensures economic growth, social responsibility, and environmental protection go hand-in-hand.

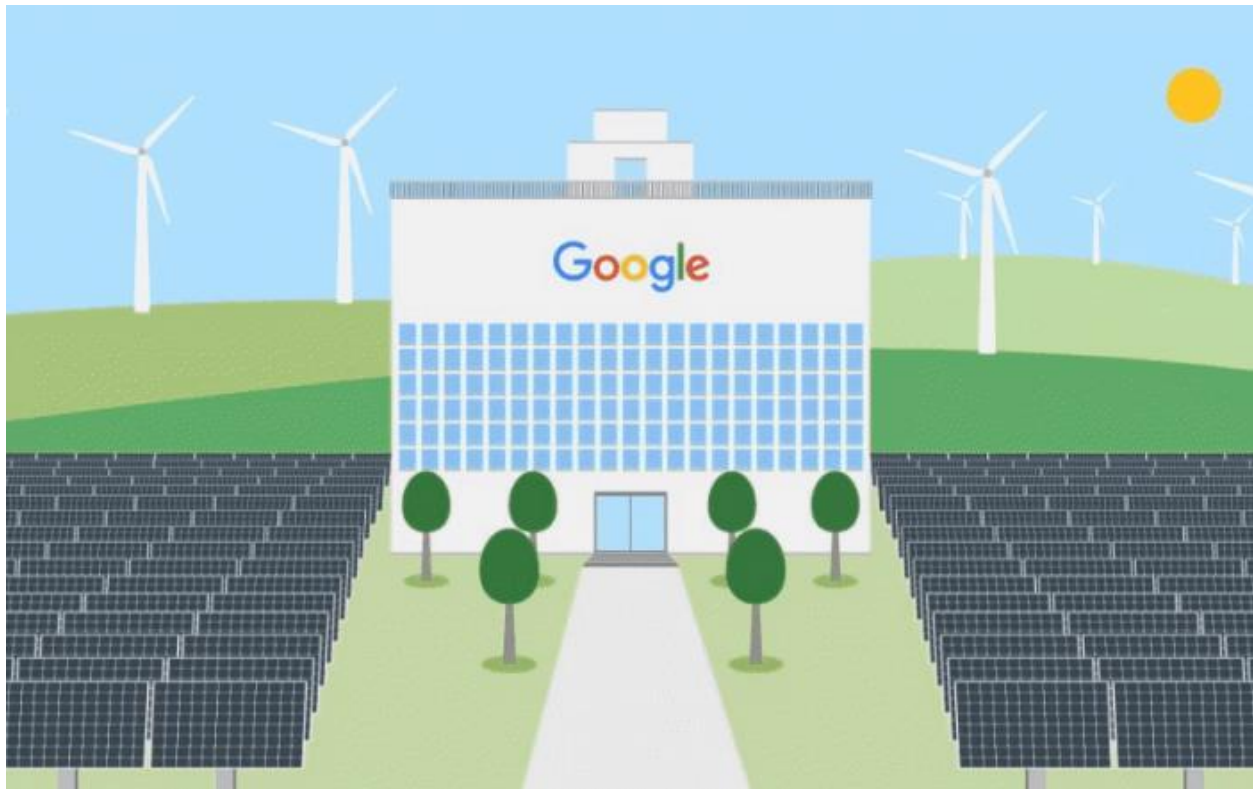
- **Practices of Sustainable Management:**

1. Use of renewable energy (solar, wind).
2. Reduce, Reuse, Recycle to minimize waste.
3. Eco-friendly production methods.
4. Ethical supply chain practices.
5. Green marketing and awareness campaigns.
6. Water conservation

### **1. Use of Renewable Energy (Solar, Wind)**

One of the key practices of sustainable management is the adoption of renewable energy sources such as solar, wind, and hydro power. Unlike fossil fuels, renewable energy is clean and does not release harmful greenhouse gases. Companies can install solar panels on office buildings, use wind energy for factories, and support green energy projects. This not only reduces environmental pollution but also lowers long-term energy costs.

**Example: Google** – The company runs its global operations on 100% renewable energy using solar and wind power. This reduces its carbon footprint and promotes clean energy adoption.



## 2. Reduce, Reuse, Recycle to Minimize Waste

The principle of "3Rs" – Reduce, Reuse, and Recycle – is widely used in sustainable management. Companies focus on reducing unnecessary consumption, reusing materials wherever possible, and recycling waste into useful products. For instance, old paper can be recycled into new sheets, and packaging materials can be reused. This practice reduces landfill waste, conserves resources, and creates a positive brand image. Many e-commerce companies now reuse delivery boxes and encourage customers to recycle.

**Example: IKEA** – IKEA follows the principle of circular economy by recycling old furniture, reusing packaging materials, and aiming to make all its products from **renewable or recycled materials by 2030**.

# Circular Economy



### 3. Eco-friendly Production Methods

Sustainable management encourages the use of eco-friendly production methods that cause less harm to the environment. This includes using biodegradable packaging, reducing harmful emissions, and adopting energy-efficient machinery. By making production processes greener, companies can meet customer expectations and government regulations. For example, automobile companies are moving towards electric vehicle manufacturing as a more eco-friendly option.

**Example: Tesla** – Tesla focuses on manufacturing **electric vehicles (EVs)** and battery storage systems that reduce dependence on fossil fuels and minimize air pollution.



#### 4. Ethical Supply Chain Practices

A sustainable business also ensures that its supply chain follows ethical standards. This means avoiding child labor, ensuring fair wages, safe working conditions, and sourcing raw materials responsibly. Ethical supply chains improve trust and reputation while promoting fairness in business. For example, many clothing brands are now focusing on "fair trade" suppliers who follow ethical labor practices.

**Example: Nike** – After facing criticism for sweatshops in the past, Nike now follows strict **ethical supply chain practices**, including fair wages, safe working conditions, and sustainable sourcing of raw materials.



## 5. Green Marketing and Awareness Campaigns

Green marketing refers to promoting products and services that are environmentally friendly. Companies highlight eco-friendly features such as recyclable packaging, energy efficiency, or organic materials. Along with this, awareness campaigns are run to educate consumers about the importance of sustainability. This not only improves sales but also builds a positive brand image. For example, Starbucks encourages customers to bring reusable cups, reducing single-use plastic waste.

**Example: Starbucks** – Starbucks promotes green marketing by encouraging customers to use **reusable cups**, reducing single-use plastics, and running campaigns on environmental awareness.



## 6. Water Conservation

Water is one of the most precious natural resources, and conserving it is a vital part of sustainable management. Businesses can adopt water-saving technologies like rainwater harvesting, recycling wastewater, and using water-efficient machinery. Industries that consume large amounts of water, such as textiles and beverages, have a greater responsibility to implement conservation practices. For example, Coca-Cola has adopted water replenishment programs to ensure that it gives back as much water as it consumes in its operations.

**Example: Coca-Cola** – Coca-Cola runs **water replenishment a program, ensuring it gives** back as much water as it uses in its beverages through rainwater harvesting, wastewater recycling, and community water projects.



- **Importance:**

1. Protects the environment.
2. Ensures long-term survival of the business.
3. Enhances reputation and customer loyalty.
4. Complies with government regulations.