**UNIT I:** Introduction to Volatility, Uncertainty, Complexity, Ambiguity (VUCA) –Significance – Challenges in Business - digitalization, globalization, and social inclusion.

**UNIT II:** Sensitive Analysis – Capital Expenditure decisions under risk & Uncertainty Introduction to Financial Derivatives – Turnaround Strategies (theory only).

**UNIT III:** Merger Strategies, Acquisitions/Takeovers, Joint Ventures, Strategic Alliances (theory only) restructuring - challenge of business sustainability.

**UNIT IV:** Crisis Management – Types, Strategies, Talent Management- triple bottom line approach. (People – social bottom line; Planet – ecological bottom line, Profit – economic bottom line).

**UNIT V:** Issues of VUCA in Product Management – Pricing, Promotion – Distribution, Strategic Leadership – Developing core competencies.

VUCA is an acronym that stands for volatility, uncertainty, complexity and ambiguity, a combination of qualities that, taken together, characterize the nature of some difficult conditions and situations.

Origin:

The term VUCA originated with the United States Army War College to describe conditions resulting from the Cold War. The VUCA concept has since been adopted throughout businesses and organizations in many industries and sectors to guide leadership and strategy planning.

Explanation:

VUCA is used to help leaders and organizations understand the world in which their business operates. It is an acronym frequently used at Emerging World and is central to our programme design.

Volatility

Volatility refers to the propensity for changing from one state to another. Under certain conditions, volatile materials can dangerously explode, changing rapidly from stable to disorder. This provides another implication that volatile conditions are dangerous conditions.

Volatile -- liable *to change rapidly and unpredictably, especially for the worse*

Uncertainty:

Uncertainty refers to the lack of specific information, which can be found by answering specific questions. Asking “What is the probability that it will rain today?” is a question that is an attempt to characterize uncertainty.

**Uncertain** -- *not able to be relied on; not known or definite*

Complexity:

Complexity refers to the number of components, the relationships between the components. The normal layperson’s usage of the complexity tends to oversimplify the scope of practical problems facing leaders in organizations. Complexity differs from “complicated.” A complicated issue can be understood by analysis and investigation beforehand.

**Complex** -- *consisting of many different and connected parts*

Ambiguity

The Latin prefix “ambi-“refers to multiple or non-fixed, such as its use in the words ambiance and ambidextrous. Ambiguous language is language that can be interpreted differently. Ambiguity is a cause of stress for many people (especially those who work in well-structured organizations) as the disorder implied by ambiguity is not comfortable. People tend to avoid, ignore, or minimize ambiguity.

**Ambiguous** *open to more than one interpretation*

Why VUCA?

We live in a world of fast change and information overload. Technology changes the world we live in at a lightning pace. The consequences are far reaching. Technology changes the way we live: how we communicate with each other, how we create and gather knowledge, how we travel, how we listen to music, how we do our shopping and even how we start, build or terminate a relationship. We can hardly imagine a world like it was just a decade ago. Slowly but surely century-old concepts such as family and nationality shift to a new reality.

The environment companies and authorities have to operate in changes at the same speed. As a result, companies continuously have to adapt the products and services they offer, as well as the way they produce, promote and sell them. Companies are desperately trying to be proactive, by imagining what the world could be like tomorrow and by continuously developing new products and services. Because the world has become so unpredictable, trial and error has become the only way forward in the fast changing sectors of the economy. This is the basis of design thinking and customer centric design.

But not only products, services and processes need to change, the companies have to change more fundamentally. They need different business models, different company structures, a different employee profiles, different leadership, and different ways of interacting with each other.

 

**Challenges in Business:**

We live in rapidly changing times, especially for businesses. Consider that, in a single generation, businesses have had to adapt to entirely new marketing channels (web and social), decide how to invest in and utilize new technologies, and compete on a global stage

**Volatile – dealing with the impact of technology,** the influence, use and general uncertainty of technology has made the digital conversation in organizations a much higher priority than ever before. On one hand technology offers opportunities, opens up possibilities and promotes efficiency, while its very disruptive nature also poses a near-constant threat to established businesses.

**Uncertain – global skills shortages,** with a potential shortage of 40 million high-skilled workers by 2020 (Mckinsey, June 2012), increasing competition for top talent and a growing crisis regarding the lack of future leaders, leadership is a very real issue within organizations today. The first world’s ageing population has led to a shrinking of the labour pool while jobs are changing – companies aren’t able to go out and easily recruit the all-in-one graduate, technical and varied talent that’s needed to bridge the skills gap.

**Complex – increased regulation,** industry regulation is an important driving force for learning and development because it triggers so much training to be commissioned. Even in recent years, events such as the global banking crisis keep the pressure on risk, safety and increased regulation, which has a knock-on effect to L&D.

**Ambiguous – organization-wide leadership,** leadership training has historically been about training leaders, but with a lack of future leaders in today’s organizations, that must drastically change. The messages and skills of leadership can no longer be filtered from the top downwards; they must spread deeper and wider into an organization, with the skills taking root at all levels. In essence, it’s about deploying training that’s more effective, brings permanent change and doesn’t cause a huge uplift in training cost per person.

Just a few of the challenges one can see businesses facing are:

**Uncertainty about the future**

Being able to predict customer trends, market trends, etc. is vital to a changing economic climate.

**Financial management**

For any business, ultimate objective is to wealth creation for shareholders. Acquiring cheaper sources of funds and utilizing them in optimum manner is always a big challenge for business houses.

**Monitoring performance**

Using a meaningful set of rounded [performance indicators](http://www.hiscox.co.uk/business-blog/4-business-metrics-every-consultant-needs-to-understand-the-bernard-marr-column/)that provide the business with insights about how well it is performing is key. Most business people are not experts in how to develop KPIs, how to avoid the key pitfalls and how to best communicate metrics so that they inform decision-making. In most cases companies rely on overly simple finance indicators that just clog up the corporate reporting channels.

**Regulation and compliance**

As markets and technologies shift, so do rules and regulations. Depending on the industry, it will be a challenge to adopt new regulations and compliance.

**Competencies and recruiting the right talent**

Identifying and recruiting the right talent in the right position is very important and challenging task as human capital can affect the business. One of the indicators for the success of business is its human resource planning and development.

**Technology**

As technologies change practically at the speed of light, it’s vital for companies to innovate or be left behind. Technological changes always impact the business in terms of prospects and growth.

**Exploding data**

Maintaining data base, using data warehousing and data mining techniques to provide customized services to the customers is important.

**Customer service**

In a world of instant gratification, customers expect instant customer service — and can take to the web to share their displeasure at less than satisfactory service just as quickly.

**Maintaining reputation**

In a similar vein, because customers can voice any displeasure so much more publicly and loudly than ever before, businesses have to monitor and maintain reputations.

**Knowing when to embrace change**

Early adopter or late to the game? Not everything new is better, yet eschewing every change runs the risk of becoming obsolete. So it is difficult for any company to decide on these lines to adopt change.

We are living in an era of constant change for the foreseeable future: change is the new normal. Preparing for and embracing that change by investing in the right way is the best way to meet these challenges head on.

**Digitalization**

**Digitalization** is the integration of digital technologies into everyday life by the digitization of everything that can be digitized. The literal **meaning** of **digitalization** gives an apparent idea of development and technology dependent world.

The digital economy is the new productivity platform that some experts regard as the third industrial revolution. Digital revolution, also known as ‘The Internet Economy’ or Internet of Everything (IoE), is expected to generate new market growth opportunities, jobs and become the biggest business opportunity of mankind in the next 30 to 40 years.

Goldman Sachs predicts that India - comprising 15% of the world population, with a growth rate of 7 to 8%, could be the second largest economy by 2030. India’s new leadership considers the digital economy as a major growth enabler.

Focus areas include agriculture, health, water quality, natural disasters, transportation, security, automobile, supply chain management, smart cities, automated metering and monitoring of utilities, waste management, oil and gas.

Cisco estimates that all IoE pillars - Internet of things, Internet of people, Internet of data, and Internet of Process for India have a value at stake (VAS) of INR 31.880 trillion (about half a trillion U.S. dollars) for the next ten years. From that INR 7.263 trillion is in the public sector and INR 24.616 trillion is in the private sector during the next decade.

Nearly 40 percent of the global value at stake will have new winners and vendors in the next decade. This major opportunity of the digital economy has the power to change the lives of millions of people of India. It could be an important vehicle for change and it could provide the opportunity for India to dramatically expand its role and influence in the global economy and become a powerhouse of digital innovation.

**Globalization**

Globalization is the tendency of investment funds and businesses to move beyond domestic and national markets to other markets around the globe, thereby increasing the interconnection of the world. Globalization has had the effect of markedly increasing international trade and cultural exchange.

Globalization has been credited with helping shift wealth to [less-developed countries.](http://www.investopedia.com/terms/l/ldc.asp) However, globalization is also often blamed for the loss of employment in developed nations, as corporations ship manufacturing facilities and jobs overseas in order to save costs; critics say it weakens national sovereignty as well.

**Advantages of Globalization to business:**

1. Businesses are opened to new markets.
2. Could find new investment opportunities through Globalization
3. Invasion and diversification is possible
4. Collaborations are possible.

**Disadvantages:**

1. Increased competition from foreign markets.
2. Small industries will suffer with competition with global MNCs.
3. Due to globalization, traditional sectors will be adversely affected.

**Social inclusion:**

Social inclusion is the process of improving the terms on which individuals and groups take part in society—improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity.

**Sensitivity analysis** is the study of how the [uncertainty](https://en.wikipedia.org/wiki/Uncertainty) in the output of a [mathematical model](https://en.wikipedia.org/wiki/Mathematical_model) or system (numerical or otherwise) can be divided and allocated to different sources of uncertainty in its inputs. A related practice is [uncertainty analysis](https://en.wikipedia.org/wiki/Uncertainty_analysis), which has a greater focus on [uncertainty quantification](https://en.wikipedia.org/wiki/Uncertainty_quantification) and [propagation of uncertainty](https://en.wikipedia.org/wiki/Propagation_of_uncertainty); ideally, uncertainty and sensitivity analysis should be run in tandem.

The process of recalculating outcomes under alternative assumptions to determine the impact of a variable under sensitivity analysis can be useful for a range of purposes, including:

* Testing the [robustness](https://en.wikipedia.org/wiki/Robust_decision) of the results of a model or system in the presence of uncertainty.
* Increased understanding of the relationships between input and output variables in a system or model.
* Uncertainty reduction, through the identification of model input that cause significant uncertainty in the output and should therefore be the focus of attention in order to increase robustness (perhaps by further research).
* Searching for errors in the model (by encountering unexpected relationships between inputs and outputs).
* Model simplification – fixing model input that has no effect on the output, or identifying and removing redundant parts of the model structure.
* Enhancing communication from modelers to decision makers (e.g. by making recommendations more credible, understandable, compelling or persuasive).
* Finding regions in the space of input factors for which the model output is either maximum or minimum or meets some optimum criterion.
* In case of calibrating models with large number of parameters, a primary sensitivity test can ease the calibration stage by focusing on the sensitive parameters. Not knowing the sensitivity of parameters can result in time being uselessly spent on non-sensitive ones.
* To seek to identify important connections between observations, model inputs, and predictions or forecasts, leading to the development of better models.

**The parameters that one needs to note while doing the above are:**

***A) Experimental design:*** It includes combination of parameters that are to be varied. This includes a check on which and how many parameters need to vary at a given point in time, assigning values (maximum and minimum levels) before the experiment, study the correlations: positive or negative and accordingly assign values for the combination.

***B) What to vary:*** The different parameters that can be chosen to vary in the model could be:
a) the number of activities
b) the objective in relation to the risk assumed and the profits expected
c) technical parameters
d) number of constraints and its limits

***C) What to observe:***
a) the value of the objective as per the strategy
b) value of the decision variables
c) value of the objective function between two strategies adopted

**Measurement of sensitivity analysis**

Below are mentioned the steps used to conduct sensitivity analysis:

1. Firstly the base case output is defined; say the NPV at a particular base case input value (V1) for which the sensitivity is to be measured. All the other inputs of the model are kept constant.
2. Then the value of the output at a new value of the input (V2) while keeping other inputs constant is calculated.
3. Find the percentage change in the output and the percentage change in the input.
4. The sensitivity is calculated by dividing the percentage change in output by the percentage change in input.

This process of testing sensitivity for another input (say cash flows growth rate) while keeping the rest of inputs constant is repeated until the sensitivity figure for each of the inputs is obtained. The conclusion would be that the higher the sensitivity figure, the more sensitive the output is to any change in that input and vice versa.

There are mainly two approaches to analyzing sensitivity:

**Local sensitivity analysis** is derivative based (numerical or analytical). The term local indicates that the derivatives are taken at a single point. This method is apt for simple cost functions, but not feasible for complex models, like models with discontinuities do not always have derivatives.

**Global sensitivity analysis** is the second approach to sensitivity analysis, often implemented using Monte Carlo techniques. This approach uses a global set of samples to explore the design space.

* ***Differential sensitivity analysis:*** It is also referred to the direct method. It involves solving simple partial derivatives to temporal sensitivity analysis. Although this method is computationally efficient, solving equations is intensive task to handle.
* ***One at a time sensitivity measures:*** It is the most fundamental method with partial differentiation, in which varying parameters values are taken one at a time. It is also called as local analysis as it is an indicator only for the addressed point estimates and not the entire distribution.
* ***Factorial Analysis:*** It involves the selection of given number of samples for a specific parameter and then running the model for the combinations. The outcome is then used to carry out parameter sensitivity.

Through the sensitivity index one can calculate the output % difference when one input parameter varies from minimum to maximum value.

* ***Correlation analysis*** helps in defining the relation between independent and dependent variables.
* ***Regression analysis*** is a comprehensive method used to get responses for complex models.
* ***Subjective sensitivity analysis:*** In this method the individual parameters are analyzed. This is a subjective method, simple, qualitative and an easy method to rule out input parameters.

Uses of Sensitivity Analysis

* The key application of sensitivity analysis is to indicate the sensitivity of simulation to uncertainties in the input values of the model.
* They help in decision making
* Sensitivity analysis is a method for predicting the outcome of a decision if a situation turns out to be different compared to the key predictions.
* It helps in assessing the riskiness of a strategy.
* Helps in identifying how dependent the output is on a particular input value. Analyses if the dependency in turn helps in assessing the risk associated.
* Helps in taking informed and appropriate decisions
* Aids searching for errors in the model

**Risk:** It is variability between actual return and estimated return in a certain future. The decision maker draws a probability of certain return based on historical data.

**Uncertainty:** The decision makers are not able to draw probability of an outcome in uncertain future. The facts are unknown in uncertain future.

**Capital Expenditure decisions under risk and uncertainty:**

**Risk:**

Risk exists because of the inability of the decision-maker to make perfect forecasts. In formal terms, the risk associated with an investment may be defined as the variability that is likely to occur in the future returns from the investment.

**Three broad categories of the events influencing the investment forecasts:**

1. General economic conditions

2. Industry factors

3. Company factors

**Techniques for Risk Analysis**

1. **Statistical Techniques for Risk Analysis**
2. Probability
3. Variance or Standard Deviation
4. Coefficient of Variation
5. **Conventional Techniques of Risk Analysis**
6. Payback
7. Risk-adjusted discount rate
8. Certainty equivalent

**Probability :**

If you roll a six-sided die, there are six possible outcomes, and each of these outcomes is equally likely. A six is as likely to come up as a three, and likewise for the other four sides of the die. What, then, is the probability that a one will come up? Since there are six possible outcomes, the probability is 1/6. What is the probability that either a one or a six will come up? The two outcomes about which we are concerned (a one or a six coming up) are called favorable outcomes.

Given that all outcomes are equally likely, we can compute the probability of a one or a six using the formula:



In [statistics](https://en.wikipedia.org/wiki/Statistics), the standard deviation is a measure of the amount of variation or [dispersion](https://en.wikipedia.org/wiki/Statistical_dispersion) of a set of values. A low standard deviation indicates that the values tend to be close to the [mean](https://en.wikipedia.org/wiki/Mean) (also called the [expected value](https://en.wikipedia.org/wiki/Expected_value)) of the set, while a high standard deviation indicates that the values are spread out over a wider range.

## What Is Standard Deviation?

The standard deviation is a statistic that measures the dispersion of a dataset relative to its [mean](https://www.investopedia.com/terms/m/mean.asp#:~:text=The%20mean%20is%20a%20statistical,and%20liabilities%20on%20the%20balance) and is calculated as the square root of the [variance](https://www.investopedia.com/terms/v/variance.asp). The standard deviation is [calculated](https://www.investopedia.com/ask/answers/021115/what-difference-between-standard-deviation-and-z-score.asp) as the square root of variance by determining each data point's deviation relative to the mean. If the data points are further from the mean, there is a higher deviation within the data set; thus, the more spread out the data, the higher the standard deviation.

## Understanding the Standard Deviation

Standard deviation is a statistical measurement in finance that, when applied to the annual rate of return of an investment, sheds light on that investment's [historical volatility](https://www.investopedia.com/terms/h/historicalvolatility.asp). The greater the standard deviation of securities, the greater the variance between each price and the mean, which shows a larger price range. For example, a volatile stock has a high standard deviation, while the deviation of a stable [blue-chip](https://www.investopedia.com/terms/b/bluechip.asp) stock is usually rather low.

### Calculating the Standard Deviation

Standard deviation is calculated as follows:

1. The mean value is calculated by adding all the data points and dividing by the number of data points.
2. The variance for each data point is calculated by subtracting the mean from the value of the data point. Each of those resulting values is then squared and the results summed. The result is then divided by the number of data points less one.
3. The square root of the variance—result from no. 2—is then used to find the standard deviation.

### A Big Drawback

The biggest drawback of using standard deviation is that it can be impacted by outliers and extreme values. Standard deviation assumes a [normal distribution](https://www.investopedia.com/terms/n/normaldistribution.asp) and calculates all uncertainty as risk, even when it’s in the investor's favor—such as above average returns.

What Is the Coefficient of Variation (CV)?

The coefficient of variation (CV) is a statistical measure of the dispersion of data points in a data series around the mean. The coefficient of variation represents the ratio of the standard deviation to the mean, and it is a useful statistic for comparing the degree of variation from one data series to another, even if the means are drastically different from one another.

## Coefficient of Variation Formula

Below is the formula for how to calculate the coefficient of variation:

CV= *σ/μ*

**where:** *σ*=standard deviation *μ*=mean​

## What Is the Payback Period?

The payback period refers to the amount of time it takes to recover the cost of an investment. Simply put, the payback period is the length of time an investment reaches a [break-even point](https://www.investopedia.com/terms/b/breakevenanalysis.asp).

The desirability of an investment is directly related to its payback period. Shorter paybacks mean more attractive investments.

Although calculating the payback period is useful in financial and [capital budgeting](https://www.investopedia.com/terms/c/capitalbudgeting.asp), this metric has applications in other industries. It can be used by homeowners and businesses to calculate the return on energy-efficient technologies such as solar panels and insulation, including maintenance and upgrades.

## Understanding the Payback Period

[Corporate finance](https://www.investopedia.com/terms/c/corporatefinance.asp) is all about capital budgeting. One of the most important concepts every corporate [financial analyst](https://www.investopedia.com/terms/f/financial-analysis.asp) must learn is how to value different investments or operational projects to determine the most profitable project or investment to undertake. One way corporate financial analysts do this is with the payback period.

The payback period is the cost of the investment divided by the annual [cash flow](https://www.investopedia.com/terms/c/cashflow.asp). The shorter the payback, the more desirable the investment.

Conversely, the longer the payback, the less desirable it is. For example, if solar panels cost $5,000 to install and the savings are $100 each month, it would take 4.2 years to reach the payback period.

**Risk-adjusted discount rate:** to allow for risk, the businessmen required a premium over and above an alternative which is risk free. It is proposed that risk premium be incorporated into the capital budgeting analysis through the discount rate.

RADR = Risk free rate + Risk Premium

**Scenario Analysis:** the another way to examine the risk of investment is to analyze the impact of alternative combination of variables called the scenarios, on the project NPV.

**Risks associated with Projects are:**
**Stand-Alone risk:** It is a risk associated with single project alone.
**Corporate risk:** It is a risk of a choosing a project which effects the overall company profits or positions.
**Market risk:** It is a risk of choosing a project which effects the shareholders position in company.
**Liquidity risk**: To face difficulty in converting an investment into cash. It means investors are not able to get fair value on selling its investment when they need cash immediately.
**Inflation risk:** It is a loss of purchasing power. It means the quantity of goods you bought in Rs. 5 now you can buy in Rs.8. Due to the time variation the value of  money decrease this is known as inflation.

**DERIVATIVES:**

 The emergence of the market for derivative products, most notably forwards, futures and options, can be traced back to the willingness of risk-averse economic agents to guard themselves against uncertainties arising out of fluctuations in asset prices. By their very nature, the financial markets are marked by a very high degree of volatility. Through the use of derivative products, it is possible to partially or fully transfer price risks by locking-in asset Prices.

As instruments of risk management, these generally do not influence the Fluctuations in the underlying asset prices. However, by locking-in asset prices, Derivative products minimize the impact of fluctuations in asset prices on the Profitability and cash flow situation of risk-averse investors.

**DEFINITION OF DERIVATIVES**

In finance, a **derivative** is a special type of contract which *derives* its value from the performance of an underlying entity.

**Explanation:**

 “Derivative is a product whose value is derived from the value of one or more basic variables, called bases (underlying asset, index, or reference rate), in a contractual manner. The underlying asset can be equity, forex, commodity or any other asset. For example, wheat farmers may wish to sell their harvest at a future date to eliminate the risk of a change in prices by that date. Such a transaction is an example of a derivative. The price of this derivative is driven by the spot price of wheat which is the “underlying’’. In the Indian context the Securities Contracts (Regulation) Act, 1956(SC(R) A) defines.

The term financial derivative relates with a variety of financial instruments which include the following:

* Short term debt securities
* Interest rate
* Common share
* Bonds and Debentures
* Stock Index Value
* Foreign currency
* Other financial assets

**Need and Growth of derivatives:**

Derivatives are one of the most complex instruments. The word derivative comes from the word ‘to derive’ indicates that it has no independent value\*. Since 1991, due to liberalization of Economic Policy the new Indian Economy has entered an era in which Indian Companies cannot ignore Global Markets. But after 1991, starting the process of deregulation prices of most commodities is decentralized.

Further, market determined exchange rates and interest rate also creates volatility and instability in portfolio values and security values. Hence hedging activities through various derivatives emerged to different risks.

Development of future markets in many countries has contributed significantly in terms of invisible earnings in the Balance of Payment through the fees and other charges. Further, economic progress of any country today much depends upon the service sector as an agricultural or industry. India has all the infra structural facilities and potential exists for the whole spectrum of financial futures trading.

For all reasons above, there is a major potential for the growth of financial derivatives in India.

 Over the last three decades, the derivatives markets have seen a phenomenal growth. A large variety of derivative contracts have been launched at exchanges across the world. Some of the factors driving the growth of financial derivatives are:

* Increased volatility in asset prices in financial markets,
* Increased integration of national financial markets with the international markets,
* Marked improvement in communication facilities and sharp decline in their costs,
* Development of more sophisticated risk management tools, providing economic agents a wider choice of risk management strategies, and
* Innovations in the derivatives markets, which optimally combine the risks and returns over a large number of financial assets leading to higher returns, reduced risk as well as transactions costs as compared to individual financial assets.

**History:**

Derivatives are more common in the modern era, but their origins trace back several centuries. One of the oldest derivatives is rice futures, which have been traded on the [Dojima Rice Exchange](http://en.wikipedia.org/wiki/Dojima_Rice_Exchange) since the eighteenth century.

Bernstein (1992) attributes the first option transaction to the Greek Philosopher Thales from Miletus who was adept at forecasting the harvest of olives in the ensuing season.

Most of the futures had evolved from the basic commodities and agricultural segment. The futures industry got a shot in the arm with the establishment of the Chicago Board of Trade in 1848.But the real action in financial derivatives started with the commencement of trading futures on foreign currency in 1972 at Chicago Mercantile Exchange.

**Uses:**

Derivatives are used for the following:

* [Hedge](http://en.wikipedia.org/wiki/Hedge_%28finance%29) or mitigate risk in the underlying, by entering into a derivative contract whose value moves in the opposite direction to their underlying position and cancels part or all of it out.
* Create [option](http://en.wikipedia.org/wiki/Option_%28finance%29) ability where the value of the derivative is linked to a specific condition or event (e.g. the underlying reaching a specific price level)
* Obtain exposure to the underlying where it is not possible to trade in the underlying (e.g. [weather derivatives](http://en.wikipedia.org/wiki/Weather_derivative)).
* Provide [leverage](http://en.wikipedia.org/wiki/Leverage_%28finance%29) (or gearing), such that a small movement in the underlying value can cause a large difference in the value of the derivative.
* Speculate and make a profit if the value of the underlying asset moves the way they expect (e.g. moves in a given direction, stays in or out of a specified range, reaches a certain level).
* Switch asset allocations between different asset classes without disturbing the underlying assets, as part of transition management.
* Avoid paying taxes. For example, an [equity swap](http://en.wikipedia.org/wiki/Equity_swap) allows an investor to receive steady payments, e.g. based on [LIBOR](http://en.wikipedia.org/wiki/LIBOR) rate, while avoiding paying [capital gains tax](http://en.wikipedia.org/wiki/Capital_gains_tax) and keeping the stock.

**Types:**

 DERIVATIVES

FORWARDS

 SWAPS

WARRANTS

FUTURES

OPTIONS

EXOTIC

 BINARY

INTEREST

 BASKET

CURRENCY

SWAPTION

 CALL

 PUT

1. [**Forwards**](http://en.wikipedia.org/wiki/Forward_contract): A tailored contract between two parties, where payment takes place at a specific time in the future at today's pre-determined price.
2. [**Futures**](http://en.wikipedia.org/wiki/Futures_contract): are [contracts](http://en.wikipedia.org/wiki/Contract) to buy or sell an [asset](http://en.wikipedia.org/wiki/Asset) on or before a future date at a price specified today. A futures contract differs from a forward contract in that the futures contract is a standardized contract written by a [clearing house](http://en.wikipedia.org/wiki/Clearing_house_%28finance%29) that operates an exchange where the contract can be bought and sold; the forward contract is a non-standardized contract written by the parties themselves.
3. [**Options**](http://en.wikipedia.org/wiki/Option_%28finance%29): are contracts that give the owner the right, but not the obligation, to buy (in the case of a [call option](http://en.wikipedia.org/wiki/Call_option)) or sell (in the case of a [put option](http://en.wikipedia.org/wiki/Put_option)) an asset. The price at which the sale takes place is known as the [strike price](http://en.wikipedia.org/wiki/Strike_price), and is specified at the time the parties enter into the option. The option contract also specifies a maturity date.

[**Binary options**](http://en.wikipedia.org/wiki/Binary_option): are contracts that provide the owner with an all-or-nothing profit profile.

**Baskets:** Basket options are options on portfolio of underlying assets. The underlying asset is usually a moving average of a basket of assets. Equity index options are a form of basket options.

1. **Leaps:**

The acronym LEAPS means Long-Term Equity Anticipation Securities. These are options having a maturity of up to three years.

1. **Hybrid Derivatives**: Also called as Exotic derivatives are a specific type of financial asset. These are derivatives that do not have a standard pay-off, as is the case for a regular call option.
2. [**Warrants**](http://en.wikipedia.org/wiki/Warrant_%28finance%29): Apart from the commonly used short-dated options which have a maximum maturity period of 1 year, there exists certain long-dated options as well, known as [Warrant (finance)](http://en.wikipedia.org/wiki/Warrant_%28finance%29). These are generally traded over-the-counter.
3. [**Swaps**](http://en.wikipedia.org/wiki/Swap_%28finance%29): are contracts to exchange cash (flows) on or before a specified future date based on the underlying value of currencies exchange rates, bonds/interest rates, [commodities exchange](http://en.wikipedia.org/wiki/Commodities_exchange), stocks or other assets.

Swaps can basically be categorized into two types:

* [**Interest rate swap**](http://en.wikipedia.org/wiki/Interest_rate_swap)**:** These basically necessitate swapping only interest associated cash flows in the same currency, between two parties.
* [**Currency swap**](http://en.wikipedia.org/wiki/Currency_swap): In this kind of swapping, the cash flow between the two parties includes both principal and interest. Also, the money which is being swapped is in different currency for both parties.

8. **Swaptions:**

Swaption are options to buy or sell a swap that will become operative at the expiry of the options. Thus a Swaption is an option on a forward swap. Rather than have calls and puts, the Swaptions market has receiver Swaptions and payer Swaptions. A receiver Swaption is an option to receive fixed and pay floating. A payer Swaption is an option to pay fixed and received floating.

**Turnaround Strategy:**

**Definition:**

Turnaround strategy is an analytical approach to solve the root cause failure of a loss-making company to decide the most crucial reasons behind its failure. Here, a long-term strategic plan and restructuring plans are designed and implemented to solve the issues of a sick company.

Financial Institution, for example, some bank ‘A’ is suffering from losses due to non-performing assets (NPA). NPA is loan given but not yet recovered. This bank ‘A’ will follow turnaround strategy and try to recover its loans by appointing recovery agents.

Manufacturing company say ‘XYZ’ is suffering from losses due to excess idle time taken by labour to complete their jobs. The manufacturing company ‘XYZ’ will follow turnaround strategy to reduce labour inactivity by installing modern machines (automation) to carry on the same work or job.

Educational institution, for example, ‘C’ is suffering from losses due to non-registration of students in their courses. This institution ‘C’ will follow turnaround strategy to reduce losses by providing facilities like e-Registration, conducting online classes, etc. to attract students.

The concept or meaning of turnaround strategy covers following points:

1. Turnaround strategy means to convert, change or transform a loss-making company into a profit-making company.
2. It means to make the company profitable again.
3. The main purpose of implementing a turnaround strategy is to turn the company from a negative point to a positive one.
4. If a turnaround strategy is not applied to a sick company, it will close down.
5. It is a remedy for curing industrial sickness.
6. Turnaround is a restructuring strategy. Here, a loss-bearing company is transformed into a profit-earning company, by making systematic efforts.
7. It tries to remove all weaknesses to help a sick company once again become strong, stable and a profit-making institution.
8. It tries to reverse the position from loss to profit, from declining sales to increasing sales, from weakness to strength, and from an instability to stability.
9. It aids to reduce the brought forward losses of the loss-making company.
10. It helps the sick company to stand once again in the market.
11. It is a complete U-turn of a planned strategic economic transition.

Types:

1. Operational :

The focus is on finding ways to improve the operation of the business and designed to halt the decline.

1. Strategic:

 The focus is on adjusting the strategic focus of the business in term of its Product/Market Profile and halt the decline.

Examples:

* Cost Reduction Strategies.
* Asset Reduction Strategies
* Revenue Increasing Strategies
* Financial Restructuring Strategies
* Product/Market Redefinition Strategies
* Management & Cultural Change Strategies

## Mergers & Acquisitions:

Mergers and acquisitions (M&A) are defined as consolidation of companies. Differentiating the two terms, **Mergers** is the combination of two companies to form one, while **Acquisitions** is one company taken over by the other. M&A is one of the major aspects of corporate finance world. The reasoning behind M&A generally given is that two separate companies together create more value compared to being on an individual stand. With the objective of wealth maximization, companies keep evaluating different opportunities through the route of merger or acquisition.

## Mergers & Acquisitions can take place:

• by purchasing assets

• by purchasing common shares

• by exchange of shares for assets

• by exchanging shares for shares

Reasons for Mergers and Acquisitions:

• Financial synergy for lower cost of capital

• Improving company’s performance and accelerate growth

• Economies of scale

• Diversification for higher growth products or markets

• To increase market share and positioning giving broader market access

• Strategic realignment and technological change

• Tax considerations

• Undervalued target

• Diversification of risk

Stages involved in any M&A:

**Phase 1: Pre-acquisition review:** this would include self-assessment of the acquiring company with regards to the need for M&A, ascertain the valuation (undervalued is the key) and chalk out the growth plan through the target.

**Phase 2**: **Search and screen targets:** This would include searching for the possible apt takeover candidates. This process is mainly to scan for a good strategic fit for the acquiring company.

**Phase 3**: **Investigate and valuation of the target:** Once the appropriate company is shortlisted through primary screening, detailed analysis of the target company has to be done. This is also referred to as due diligence.

**Phase 4: Acquire the target through negotiations**: Once the target company is selected, the next step is to start negotiations to come to consensus for a negotiated merger or a bear hug. This brings both the companies to agree mutually to the deal for the long term working of the M&A.

**Phase 5: POST merger integration*:*** If all the above steps fall in place, there is a formal announcement of the agreement of merger by both the participating companies.

Recent Mergers and Acquisitions



What Is a Takeover?

A takeover occurs when one company makes a successful bid to assume control of or acquire another. Takeovers can be done by purchasing a majority stake in the target firm. Takeovers are also commonly done through the [merger and acquisition](https://www.investopedia.com/terms/m/mergersandacquisitions.asp) process. In a takeover, the company making the bid is the acquirer and the company it wishes to take control of is called the target.

Takeovers are typically initiated by a larger company seeking to take over a smaller one. They can be voluntary, meaning they are the result of a mutual decision between the two companies. In other cases, they may be unwelcome, in which case the acquirer goes after the [target](https://www.investopedia.com/terms/t/targetfirm.asp) without its knowledge or some times without its full agreement.

In corporate finance, there can be a variety of ways for structuring a takeover. An acquirer may choose to take over [controlling interest](https://www.investopedia.com/terms/c/controllinginterest.asp) of the company’s outstanding shares, buy the entire company outright, merge an acquired company to create new synergies, or acquire the company as a subsidiary.

Types of Takeovers

Takeovers can take many different forms. A welcome or [friendly takeover](https://www.investopedia.com/terms/f/friendly-takeover.asp) will usually be structured as a merger or acquisition. These generally go smoothly because the boards of directors for both companies usually consider it a positive situation. Voting must still take place in a friendly takeover. However, when the board of directors and key shareholders are in favor of the takeover, takeover voting can more easily be achieved.

Usually, in these cases of mergers or acquisitions, shares will be combined under one symbol. This can be done by exchanging shares from the target’s shareholders to shares of the combined entity.

An unwelcome or [hostile takeover](https://www.investopedia.com/terms/h/hostiletakeover.asp) can be quite aggressive as one party is not a willing participant. The acquiring firm can use unfavorable tactics such as a [dawn raid](https://www.investopedia.com/terms/d/dawnraid.asp), where it buys a substantial stake in the target company as soon as the markets open, causing the target to lose control before it realizes what is happening.

The target firm’s management and board of directors may strongly resist takeover attempts by implementing tactics such as a [poison pill](https://www.investopedia.com/terms/p/poisonpill.asp), which allows the target’s shareholders to purchase more shares at a discount to dilute the potential acquirer’s holdings and voting rights.

A [reverse takeover](https://www.investopedia.com/terms/r/reversetakeover.asp) happens when a private company takes over a public one. The acquiring company must have enough capital to fund the takeover. Reverse takeovers provide a way for a private company to go public without having to take on the risk or added expense of going through an initial public offering (IPO).

A creeping takeover occurs when one company slowly increases its share ownership in another. Once the share ownership gets to 50% or more, the acquiring company is required to account for the target’s business through [consolidated financial statement](https://www.investopedia.com/terms/c/consolidatedfinancialstatement.asp) reporting. The 50% level can thus be a significant threshold, particularly since some companies may not want the responsibilities of controlling ownership. After the 50% threshold has been breached, the target company should be considered a subsidiary.

Creeping takeovers may also involve [activists](https://www.investopedia.com/terms/a/activist-investor.asp) who increasingly buy shares of a company with the intent of creating value through management changes. An activist takeover would likely happen gradually over time.

What Is a Joint Venture (JV)?

A joint venture (JV) is a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity.

In a joint venture (JV), each of the participants is responsible for [profits](https://www.investopedia.com/terms/p/profit.asp), losses, and costs associated with it. However, the venture is its own entity, separate from the participants' other business interests.

There are three main reasons why companies form joint ventures:

Leverage Resources

A joint venture can take advantage of the combined resources of both companies to achieve the goal of the venture. One company might have a well-established manufacturing process, while the other company might have superior distribution channels.

Cost Savings

By using [economies of scale](https://www.investopedia.com/terms/e/economiesofscale.asp), both companies in the JV can leverage their production at a lower per-unit cost than they would separately. This is particularly appropriate with technology advances that are costly to implement. Other cost savings as a result of a JV can include sharing advertising or labor costs.

Combined Expertise

Two companies or parties forming a joint venture might each have unique backgrounds, skillsets, and expertise. When combined through a JV, each company can benefit from the other's expertise and talent within their company.

Regardless of the legal structure used for the JV, the most important document will be the JV agreement that sets out all of the partners' rights and obligations. The objectives of the JV, the initial contributions of the partners, the day-to-day operations, and the right to the profits, and the responsibility for losses of the JV are all set out in this document. It is important to draft it with care, to avoid [litigation](https://www.investopedia.com/terms/l/litigation-risk.asp) down the road.

Sony Ericsson is another famous example of a JV between two large companies. In this case, they partnered in the early 2000s with the aim of being a world leader in mobile phones. After several years of operating as a JV, the venture eventually became solely owned by Sony.

## What Is a Strategic Alliance?

A strategic alliance is an arrangement between two companies to undertake a mutually beneficial project while each retains its independence. The agreement is less complex and less binding than a [joint venture](https://www.investopedia.com/terms/j/jointventure.asp), in which two businesses pool resources to create a separate business entity.

A company may enter into a strategic alliance to expand into a new market, improve its product line, or develop an edge over a competitor. The arrangement allows two businesses to work toward a common goal that will benefit both.

The relationship may be short- or long-term and the agreement may be formal or informal.

## Advantages and Disadvantages of a Joint Alliance

Strategic alliances can be flexible and some of the burdens that a joint venture could include. The two firms do not need to merge capital and can remain independent of one another.

A [strategic alliance](https://www.investopedia.com/articles/basics/06/themerger.asp) can, however, bring its own risks. While the agreement is usually clear for both companies, there may be differences in how the firms conduct business. Differences can create conflict. Further, if the alliance requires the parties to share proprietary information, there must be trust between the two allies.

In a long-term strategic alliance, one party may become dependent on the other. Disruption of the alliance can endanger the health of the company.

## Example of a Strategic Alliance

The deal between Starbucks and Barnes & Noble is a classic example of a strategic alliance. Starbucks brews the coffee. Barnes & Noble stocks the books. Both companies do what they do best while sharing the costs of space to the benefit of both companies.

Strategic alliances can come in many sizes and forms:

* An oil and natural gas company might form a strategic alliance with a research laboratory to develop more commercially viable recovery processes.
* A clothing retailer might form a strategic alliance with a single manufacturer to ensure consistent quality and sizing.
* A website could form a strategic alliance with an analytics company to improve its marketing efforts.

**business sustainability:**

Sustainability Challenges in Business

Any corporate sustainability initiative has to balance its impact on three things: people, planet, and profit. This concept is known as the triple bottom line, and it shapes the environmental efforts for many corporations worldwide.

1. Improved environmental sustainability is not valued in internal capital allocation decisions

Companies often lack the internal mechanisms to properly value the benefits of managing environmental sustainability, such as reduced exposure to energy price volatility, water risks and other environmental impacts of operations and supply chains.

2. The goals of corporate sustainability teams and financial teams are not well-aligned

Divergent priorities mean that sustainability teams and financial teams often do not effectively engage each other. As a result, sustainability teams are brought into project planning too late to influence project design and cannot make an effective case to financial decision makers.

3. Companies lack metrics to account for external environmental costs

Without a clear method to price external costs, such as the risk of climate change to society, companies can't factor these "expenses" into their traditional decision-making. Companies may find they are not fully cognizant of the real costs and risks associated with their investments over time.

4. Environmental factors, such as climate change and water scarcity, are not being fully integrated into long-term business strategy

As a result, companies often miss opportunities to improve financial performance through environmental improvements in processes and product lines.

Challenges to Being Sustainable, and How to Overcome Them:

Common barriers businesses face when striving to become more sustainable, along with how to overcome them:

Senior Support:

–Issue: Becoming a sustainable business requires senior-level buy in – and some of your senior team may be more supportive than others.

–Solution: Add sustainability goals into the personal objectives of senior employees to ensure everyone is accountable for successfully driving change.

 Employee Engagement:

–Issue: Initiating positive change will have a much greater chance of success if employees feel proud and engaged.

–Solution: Appoint an individual or create a team to be the key instigator(s) to drive positive change in the business. These ambassadors can inspire and secure commitment from the rest of the company. Listen to what motivates your employees: if your employees tell you that volunteering is important to them, encourage it – and organize a company-wide volunteering day, like The Royal Bank of Canada and TELUS do annually. For CSR initiatives, consider polling employees to see which causes really matter to them.

Cost:

–Issue: Fundamentally, businesses are designed to make money – and introducing sustainability initiatives usually comes at a cost. –Solution: Seeing cost as a barrier is a short-term view. Sustainability programs can improve the efficiency of a business, which saves costs in the long run. Being sustainable will be received positively by customers, which could enhance the number of referrals or repeat business you receive.

Metrics:

–Issue: Without a regulatory body, it’s difficult to determine what to measure. Sustainability initiatives are particularly challenging as they often affect society at a macro-level, which cannot always be quantified. –Solution: With so many metrics to consider, it’s important to determine your objectives upfront. Bring in a consultant to help you decide which changes would make the biggest impact. Write a plan of action, detailing your goals and how you’re going to achieve them – and deliver it. Make sure your goals are manageable, with realistic deliverables to be met every six months, to help you stay on target.

Suppliers:

–Issue: Identifying suppliers that match your business needs as well as your sustainable values is time consuming and difficult. –Solution: Keep the process simple. If you have long-standing relationships with suppliers that potentially have the capabilities to implement positive change in stride with your company then bring the conversation to the table. If they are unable or unwilling to change, spend time finding an organization that is aligned with your goals – you’ll benefit in the long term.

Consumers Don’t Care:

–Issue: Consumers do not consistently communicate their desire for sustainable products when exercising their purchasing power. –Solution: Times are changing – and there is a conscious shift in consumer attitudes towards sustainable products. This is especially true in the agriculture and household goods industries. Paul Polman, Chief Executive at Unilever, is changing the status quo through the development of a “Sustainable Living Plan,” with the ambition to “improve the lives of the world’s citizens and come up with genuine sustainable solutions.” Polman is smart: he is boldly driving change before his competitors, and he’ll win consumer loyalties as a consequence.

The concept of a sustainable business is still in its infancy and undoubtedly metrics and methodologies for measuring sustainability will become more sophisticated over time. In terms of barriers, you’ll inevitably face challenges when introducing change. However any barriers are short-term and can be overcome if you’re serious about becoming sustainable

**CRISIS**

A sudden and unexpected event leading to major unrest amongst the individuals at the workplace is called as organization crisis. In other words, crisis is defined as any emergency situation which disturbs the employees as well as leads to instability in the organization. Crisis affects an individual, group, organization or society on the whole.

**Characteristics of Crisis**

1. Crisis is a sequence of sudden disturbing events harming the organization.

2. Crisis generally arises on a short notice.

3. Crisis triggers a feeling of fear and threat amongst the individuals.

**Crisis Management**

The art of dealing with sudden and unexpected events which disturbs the employees, organization as well as external clients refers to Crisis Management.

The process of handling unexpected and sudden changes in organization culture is called as crisis management.

**Need for Crisis Management**

1. Crisis Management prepares the individuals to face unexpected developments and adverse conditions in the organization with courage and determination.

2. Employees adjust well to the sudden changes in the organization.

3. Employees can understand and analyze the causes of crisis and cope with it in the best possible way.

4. Crisis Management helps the managers to devise strategies to come out of uncertain conditions and also decide on the future course of action.

5. Crisis Management helps the managers to feel the early signs of crisis, warn the employees against the aftermaths and take necessary precautions for the same.

**TYPES OF CRISIS**

Crisis refers to sudden unplanned events which cause major disturbances in the organization and trigger a feeling of fear and threat amongst the employees.

Following are the types of crisis:

**Natural Crisis**

1. Disturbances in the environment and nature lead to natural crisis.

2. Such events are generally beyond the control of human beings.

3. Tornadoes, Earthquakes, Hurricanes, Landslides, Tsunamis, Flood, Drought all result in natural disaster.

**Technological Crisis**

1. Technological crisis arises as a result of failure in technology. Problems in the overall systems lead to technological crisis.

2. Breakdown of machine, corrupted software and so on give rise to technological crisis.

**Confrontation Crisis**

1. Confrontation crises arise when employees fight amongst themselves. Individuals do not agree to each other and eventually depend on non-productive acts like boycotts, strikes for indefinite periods and so on.

2. In such a type of crisis, employees disobey superiors; give them ultimatums and force them to accept their demands.

3. Internal disputes, ineffective communication and lack of coordination give rise to confrontation crisis.

**Crisis of Malevolence**

1. Organizations face crisis of malevolence when some notorious employees take the help of criminal activities and extreme steps to fulfill their demands.

2. Acts like kidnapping company’s officials, false rumours all lead to crisis of malevolence.

Talent Management

**Definition**: Talent management is the systematic process of identifying the vacant position, hiring the suitable person, developing the skills and expertise of the person to match the position and retaining him to achieve long-term business objectives.

Talent Management Process Model



1. [**Planning**](https://businessjargons.com/human-resource-planning.html): Planning is the initial step in the process of Talent Management. It involves the following:
	* Identifying the human capital requirement.
	* Developing the job description and key roles.
	* Proposing a workforce plan for recruitment.
2. **Attracting**: Deciding whether the source of recruitment should be internal or external and seeking for the suitable individuals to fill in the vacant positions through:
	* Job Portals such as Naukri.com, Timesjob.com, etc.
	* Social Network such as LinkedIn and Twitter.
	* Referrals.
3. **Selecting**: [Recruiting](https://businessjargons.com/recruitment-process.html) and selecting the personnel. It involves the following steps:
	* Scheduling written test and [interviews](https://businessjargons.com/interview.html).
	* Scrutinizing the most suitable candidate for the profile.
4. **Developing**: In this stage, the employee is prepared according to and for the organization and the profile. Following are the steps involved in the process:
	* Carrying out an onboarding programme or an [orientation programme](https://businessjargons.com/induction-training.html).
	* Enhancing the skills, aptitude and proficiency of the personnel to match the profile.
	* Counselling, guiding, coaching, educating, mentoring employees and job rotation.
5. **Retaining**: Employee retention is essential for any organizational existence and survival. Following are the ways of employee retention:
	* Promotions and increments.
	* Providing opportunities for growth by handing over special projects.
	* Participative decision making.
	* Teaching new job skills.
	* Identifying the individual’s contribution and efforts.
6. **Transitioning**: Talent management aims at the overall transformation of the employees to achieve the organizational vision. It can be done through:
	* Retirement benefits to employees.
	* Conducting [Exit interviews](https://businessjargons.com/exit-interview.html).
	* Succession Planning or Internal Promotions.

Benefits of Talent Management

**Benefits of talent management for the organization**

* Strategic talent management results in the accomplishment of organizational vision.
* Filtration of talented employees and retaining of the finest ones is possible.
* Talent management strengthens the organizational structure by building strong human capital.
* It helps the organization to succeed over its competitors and establish a strong presence in the market.
* It builds up a good reputation of the company among the job seekers.
* It leads to improved participative decision making by the management.
* It directs continuous improvement in organizational performance making it more efficient and effective.

**Benefits of talent management for employees**

* Talent management initiates a positive environment in the organization where employees experience job satisfaction.
* Employees get a chance of learning and improving themselves which motivates them to perform better.
* The training and development programmes help the employees to learn something new, enhancing their personal skills and knowledge.
* The organization focuses on an individual’s growth and betterment hence employees develop a feeling of being cared for and belongingness for the organization.
* The employees remain associated with the organization for a long-term period.
* Recognition and rewards lift up the employee’s confidence level.
* The rigorous learning, adds on to the experience of the employees.

**Triple bottom line:**

Triple bottom line (or otherwise noted as TBL or 3BL) is an accounting framework with three parts: social, environmental (or ecological) and financial. Many organizations have adopted the TBL framework to evaluate their performance in a broader perspective to create greater business value. The term was coined by John Elkington in 1994.

In traditional business accounting and common usage, the "bottom line" refers to either the "profit" or "loss", which is usually recorded at the very bottom line on a statement of revenue and expenses. Over the last 50 years, environmentalists and social justice advocates have struggled to bring a broader definition of bottom line into public consciousness by introducing full cost accounting. For example, if a corporation shows a monetary profit, but their asbestos mine causes thousands of deaths from asbestosis, and their copper mine pollutes a river, and the government ends up spending taxpayer money on health care and river clean-up, how do we perform a full societal cost benefit analysis? The triple bottom line adds two more "bottom lines": social and environmental (ecological) concerns. With the ratification of the United Nations and ICLEI TBL standard for urban and community accounting in early 2007, this became the dominant approach to public sector full cost accounting. Similar UN standards apply to natural capital and human capital measurement to assist in measurements required by TBL, e.g. the Eco Budget standard for reporting ecological footprint. The TBL seems to be fairly widespread in South African media, as found in a 1990–2008 study of worldwide national newspapers.

The phrase "triple bottom line" was articulated more fully by John Elkington in his 1997 book Cannibals with Forks: the Triple Bottom Line of 21st Century Business. A Triple Bottom Line Investing group advocating and publicizing these principles was founded in 1998 by Robert J. Rubinstein.

For reporting their efforts companies may demonstrate their commitment to corporate social responsibility (CSR) through the following:

Top-level involvement (CEO, Board of Directors)

Policy Investments

Programs

Signatories to voluntary standards

Principles (UN Global Compact-Ceres Principles)

Reporting (Global Reporting Initiative)

**The three bottom lines**

**People, the social equity bottom line**

The people, social equity, or human capital bottom line pertains to fair and beneficial business practices toward labour and the community and region in which a corporation conducts its business. A TBL company conceives a reciprocal social structure in which the well-being of corporate, labour and other stakeholder interests are interdependent.

**Planet, the environmental bottom line**

The planet, environmental bottom line, or natural capital bottom line refers to sustainable environmental practices. A TBL company endeavors to benefit the natural order as much as possible or at the least do no harm and minimize environmental impact. A TBL endeavor reduces its ecological footprint by, among other things, carefully managing its consumption of energy and non-renewables and reducing manufacturing waste as well as rendering waste less toxic before disposing of it in a safe and legal manner. "Cradle to grave" is uppermost in the thoughts of TBL manufacturing businesses, which typically conduct a life cycle assessment of products to determine what the true environmental cost is from the growth and harvesting of raw materials to manufacture to distribution to eventual disposal by the end user.

**Profit, the economic bottom line**

The profit or economic bottom line deals with the economic value created by the organization after deducting the cost of all inputs, including the cost of the capital tied up. It therefore differs from traditional accounting definitions of profit. In the original concept, within a sustainability framework, the "profit" aspect needs to be seen as the real economic benefit enjoyed by the host society. It is the real economic impact the organization has on its economic environment. This is often confused to be limited to the internal profit made by a company or organization (which nevertheless remains an essential starting point for the computation). Therefore, an original TBL approach cannot be interpreted as simply traditional corporate accounting profit plus social and environmental impacts unless the "profits" of other entities are included as a social benefit.

**ISSUES OF VUCA IN PRODUCT MANAGEMENT:**

In most companies, developing new products is a critical component of strategy. Many companies are finding this to be more and more difficult as their environment increases in VUCA. According to Johansen, volatility is countered by vision, uncertainty is countered by understanding, complexity is countered by clarity, and ambiguity is countered by agility.

**PRICING STRATEGIES**

Pricing is the process whereby a business sets the price at which it will sell its products and services, and may be part of the business's marketing plan. In setting prices, the business will take into account the price at which it could acquire the goods, the manufacturing cost, the market place, competition, market condition, brand, and quality of product

The objectives of pricing should consider:

• The financial goals of the company (i.e. profitability)

• The fit with marketplace realities.

• The extent to which the price supports a product's market positioning and be consistent with the other variables in the marketing mix

Price is influenced by the type of distribution channel used, the type of promotions used, and the quality of the product. Where manufacturing is expensive, distribution is exclusive, and the product is supported by extensive advertising and promotional campaigns, then prices are likely to be higher. Price can act as a substitute for product quality, effective promotions, or an energetic selling effort by distributors in certain markets.

1. Operations-oriented pricing: where the objective is to optimize productive capacity, to achieve operational efficiencies or to match supply and demand through varying prices. In some cases, prices might be set to de-market
2. Revenue-oriented pricing: (also known as profit-oriented pricing or cost-based pricing) - where the marketer seeks to maximize the profits (i.e., the surplus income over costs) or simply to cover costs and break even For example, dynamic pricing (also known as yield management is a form of revenue oriented pricing.
3. Customer-oriented pricing: where the objective is to maximize the number of customers; encourage cross-selling opportunities or to recognize different levels.
4. Value-based pricing: (also known as image-based pricing) occurs where the company uses prices to signal market value or associates price with the desired value position in the mind of the buyer. The aim of value-based pricing is to reinforce the overall positioning strategy e.g. premium pricing posture to pursue or maintain a luxury image
5. Relationship-oriented pricing: where the marketer sets prices in order to build or maintain relationships with existing or potential customers
6. Socially-oriented pricing: Where the objective is to encourage or discourage specific social attitudes and behaviours. e.g. high tariffs on tobacco to discourage smoking.

**PROMOTION**

In marketing, promotion is advertising a product or brand, generating sales, and creating brand loyalty. It is one of the four basic elements of the market mix, which includes the four P's: price, product, promotion, and place. Promotion is also defined as one of five pieces in the promotional mix or promotional plan. These are personal selling, advertising, sales promotion, direct marketing, and publicity. A promotional mix specifies how much attention to pay to each of the five factors, and how much money to budget.

Promotion covers the methods of communication that a marketer uses to provide information about its product. Information can be both verbal and visual.

TYPES OF PROMOTION

1. **Traditional media**

Examples of traditional media include print media such as newspapers and magazines, electronic media such as radio and television, and outdoor media such as banner or billboard advertisements. Each of these platforms provides ways for brands to reach consumers with advertisements.

1. **Digital media**

Digital media, which includes Internet, social networking and social media sites, is a modern way for brands to interact with consumers as it releases news, information and advertising from the technological limits of print and broadcast infrastructures. Digital media is currently the most effective way for brands to reach their consumers on a daily basis. Over 2.7 billion people are online globally, which is about 40% of the world's population. 67% of all Internet users globally use social media

1. **Mass communication**

It has led to modern marketing strategies to continue focusing on brand awareness, large distributions and heavy promotions. The fast-paced environment of digital media presents new methods for promotion to utilize new tools now available through technology. With the rise of technological advances, promotions can be done outside of local contexts and across geographic borders to reach a greater number of potential consumers. The goal of a promotion is then to reach the most people possible in a time efficient and a cost efficient manner.

1. **Social media**

As a modern marketing tool, offers opportunities to reach larger audiences in an interactive way. These interactions allow for conversation rather than simply educating the customer. Facebook, Snapchat, Instagram, Twitter, Pinterest, Google Plus, Tumblr, as well as alternate audio and media sites like Sound Cloud and Mix cloud allow users to interact and promote music online with little to no cost. You can purchase and buy ad space as well as potential customer interactions stores as Likes, Followers, and clicks to your page with the use of third parties.

**STRATEGIC LEADER SHIP**

Strategic Leadership is the ability of influencing others to voluntarily make decisions that enhance the prospects for the organization’s long-term success while maintaining long-term financial stability. Different leadership approaches impact the vision and direction of growth and the potential success of an organization. To successfully deal with change, all executives need the skills and tools for both strategy formulation and implementation. Managing change and ambiguity requires strategic leaders who not only provide a sense of direction, but who can also build ownership and alignment within their workgroups to implement change.

A few main traits / characteristics / features / qualities of effective strategic leaders that do lead to superior performance are as follows:

1. Loyalty- Powerful and effective leaders demonstrate their loyalty to their vision by their words and actions.
2. Keeping them updated- Efficient and effective leaders keep themselves updated about what is happening within their organization. They have various formal and informal sources of information in the organization.
3. Judicious use of power- Strategic leaders makes a very wise use of their power. They must play the power game skillfully and try to develop consent for their ideas rather than forcing their ideas upon others. They must push their ideas gradually.
4. Have wider perspective/outlook- Strategic leaders just don’t have skills in their narrow specialty but they have a little knowledge about a lot of things.
5. Motivation- Strategic leaders must have a zeal for work that goes beyond money and power and also they should have an inclination to achieve goals with energy and determination.
6. Compassion- Strategic leaders must understand the views and feelings of their subordinates, and make decisions after considering them.
7. Self-control- Strategic leaders must have the potential to control distracting/disturbing moods and desires, i.e., they must think before acting.
8. Social skills- Strategic leaders must be friendly and social.
9. Self-awareness- Strategic leaders must have the potential to understand their own moods and emotions, as well as their impact on others.
10. Readiness to delegate and authorize- Effective leaders are proficient at delegation. They are well aware of the fact that delegation will avoid overloading of responsibilities on the leaders. They also recognize the fact that authorizing the subordinates to make decisions will motivate them a lot.
11. Articulacy- Strong leaders are articulate enough to communicate the vision (vision of where the organization should head) to the organizational members in terms that boost those members.
12. Constancy/ Reliability- Strategic leaders constantly convey their vision until it becomes a component of organizational culture.

**Core competencies:**

A core competency is a concept in management theory introduced by C. K. Prahalad and Gary Hamel. It can be defined as "a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace".

**Explanation:**

Core competencies are the defining characteristics that make a business or an individual stand out from the competition. Identifying and exploiting core competencies is seen as important for a new business making its mark or an established company trying to stay competitive. A company's people, physical assets, patents, brand equity, and capital all can make a contribution to a company's core competencies.

Core competencies fulfill three criteria:

1. Provides potential access to a wide variety of markets.

2. Should make a significant contribution to the perceived customer benefits of the end product.

3. Difficult to imitate by competitors.

For example, a company's core competencies may include precision mechanics, fine optics, and microelectronics. These help it build cameras, but may also be useful in making other products that require these competencies.

Sources:

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