FUNDAMENTALS OF STRATEGIC MANAGEMENT

Dr. Anantha Subramanya Iyer
Vipin Jain

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KRISHNA NAGAR, DELHI

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CHAPTER 1

STRATEGIC MANAGEMENT: A FRAMEWORK FOR ACHIEVING ORGANIZATIONAL SUCCESS IN TODAY'S COMPETITIVE ENVIRONMENT

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Strategic management is the process of developing and implementing strategies to achieve organizational goals and objectives. It involves the formulation and implementation of plans and actions aimed at achieving the desired outcomes of an organization. Strategic management is an essential component of organizational success and plays a critical role in enhancing competitiveness, improving performance, and achieving sustainable growth. The strategic management process involves a series of steps that help organizations develop and implement effective strategies. These steps include environmental analysis, strategy formulation, strategy implementation, and strategy evaluation and control. The following sections provide a detailed overview of the strategic management process and its key components.

Environmental analysis is the first step in the strategic management process. It involves the evaluation of internal and external factors that affect an organization's ability to achieve its objectives. Internal factors include an organization's strengths and weaknesses, while external factors include opportunities and threats in the external environment[1], [2]. The purpose of environmental analysis is to identify the key drivers of change and assess their potential impact on the organization. This analysis helps organizations develop a comprehensive understanding of the opportunities and threats that they face and enables them to develop effective strategies to leverage opportunities and mitigate threats. The second step in the strategic management process is strategy formulation. This step involves the development of strategies to achieve organizational objectives. Strategies can be developed at different levels of the organization, including corporate, business, and functional levels.

At the corporate level, strategies are developed to guide the overall direction of the organization. These strategies typically involve decisions about which businesses to enter, which businesses to exit, and how to allocate resources across businesses. At the business level, strategies are developed to guide the operations of individual business units. These strategies typically involve decisions about how to compete in specific markets and how to differentiate products and services from those of competitors. At the functional level, strategies are developed to guide the activities of individual functions within a business unit. These strategies typically involve decisions about how to optimize the performance of specific functions, such as marketing, finance, or operations. The process of strategy formulation involves several steps, including setting strategic objectives, analyzing internal and external factors, developing alternative strategies, and selecting the most appropriate strategy. The output of the strategy formulation

process is a set of strategies that are aligned with organizational objectives and that enable the organization to achieve sustainable competitive advantage[3].

The third step in the strategic management process is strategy implementation. This step involves the execution of strategies developed in the strategy formulation phase. Strategy implementation involves a range of activities, including resource allocation, organizational restructuring, and changes to operational processes and procedures.

Resource allocation involves the allocation of financial, human, and physical resources to support the implementation of strategies. Organizational restructuring involves changes to the organizational structure, roles, and responsibilities of employees to support the implementation of strategies. Changes to operational processes and procedures involve modifications to the way that work is performed to support the implementation of strategies. Effective strategy implementation requires effective communication, leadership, and change management. Organizations must communicate strategies clearly to employees and ensure that they understand their roles and responsibilities in implementing these strategies. Leaders must provide direction and support to employees to ensure that they are motivated to implement strategies effectively. Effective change management involves managing resistance to change and ensuring that employees have the skills and knowledge required to implement strategies effectively.

The final step in the strategic management process is strategy evaluation and control. This step involves the monitoring of strategy implementation and the evaluation of its effectiveness. Strategy evaluation and control involve the development of performance metrics to assess the progress of strategy implementation and the identification of corrective actions to ensure that strategies are implemented effectively[4]. Performance metrics can be developed at different levels of the organization, including the corporate, business, and functional levels. Metrics can be financial or non-financial and can be used to evaluate the effectiveness of strategies in achieving organizational objectives. The identification of corrective actions is an essential component of strategy evaluation and control. Corrective actions are necessary when strategies are not being implemented effectively or are not producing the desired outcomes. These actions may involve changes to the strategies themselves, changes to the way that strategies are implemented, or changes to the organizational structure or processes.

Effective strategy evaluation and control require a feedback loop that enables organizations to learn from their experiences and make adjustments to their strategies as needed. This feedback loop involves ongoing monitoring and evaluation of strategy implementation, regular reporting on progress, and the identification of opportunities for improvement. There are several strategic management models that organizations can use to guide their strategic management processes. The most popular models include the SWOT analysis model, the Porter's Five Forces model, and the balanced scorecard model.

The SWOT analysis model involves the evaluation of an organization's strengths, weaknesses, opportunities, and threats. This model is used to identify the key internal and external factors that affect an organization's ability to achieve its objectives and to develop effective strategies to leverage strengths and opportunities and mitigate weaknesses and threats. The Porter's Five

Forces model involves the analysis of the competitive forces in an industry. This model is used to identify the key factors that influence the competitiveness of an industry and to develop strategies to compete effectively in that industry. The balanced scorecard model involves the development of a set of performance metrics to evaluate the effectiveness of strategies at different levels of the organization. This model is used to ensure that strategies are aligned with organizational objectives and that performance metrics are used to evaluate the effectiveness of strategies in achieving these objectives.

Strategic analysis involves analyzing the external and internal environment of an organization to identify opportunities and threats. The external environment includes factors such as the economy, technology, competition, and politics, while the internal environment includes factors such as the organization's resources, capabilities, and culture. The purpose of strategic analysis is to identify the organization's strengths and weaknesses and the opportunities and threats that the organization faces.

Strategy Formulation Strategy formulation involves developing strategies to achieve the organization's goals and objectives. This process involves assessing the organization's resources and capabilities and determining how they can be used to achieve the organization's goals. Strategy formulation also involves analyzing the external environment to identify opportunities and threats and developing strategies to take advantage of these opportunities and overcome these threats.

Strategy Implementation Strategy implementation involves putting the strategies developed in the strategy formulation phase into action. This process involves aligning the organization's resources and capabilities with the chosen strategies and ensuring that the necessary resources are available to implement the strategies successfully. Strategy implementation also involves monitoring the progress of the strategies and making any necessary adjustments to ensure that the strategies remain effective.

The Role of Strategic Management in Organizational Success

Strategic management plays a crucial role in the success of any organization. The following are some ways in which strategic management contributes to organizational success:

1. Direction and Focus Strategic management provides direction and focus for an organization. It helps an organization to identify its goals and objectives and develop strategies to achieve them. This direction and focus help the organization to stay on track and ensure that all efforts are directed towards achieving the organization's goals.

2. Competitive Advantage Strategic management helps an organization to develop a competitive advantage. By analyzing the external environment and identifying opportunities and threats, an organization can develop strategies to take advantage of these opportunities and overcome these threats. This helps the organization to gain a competitive advantage over its competitors.

3. Resource Allocation Strategic management helps an organization to allocate its resources effectively. By analyzing the organization's resources and capabilities and determining

how they can be used to achieve the organization's goals, an organization can ensure that its resources are used effectively and efficiently.

4. Flexibility and Adaptability Strategic management helps an organization to be flexible and adaptable. By monitoring the progress of its strategies and making any necessary adjustments, an organization can adapt to changes in the external environment and remain competitive.

Benefits of Strategic Management The following are some benefits of strategic management:

1. Improved Decision Making Strategic management provides a structured approach to decision making. By analyzing the external and internal environment of an organization and developing strategies to achieve its goals, an organization can make informed decisions that are more likely to lead to success.

2. Increased Efficiency Strategic management helps an organization to allocate its resources effectively, resulting in increased efficiency. By ensuring that resources are used effectively and efficiently, an organization can achieve its goals more quickly and with fewer resources.

3. Better Communication Strategic management promotes better communication within an organization. By developing a clear direction and focus for the organization, everyone within the organization can understand the organization's goals and objectives and work towards achieving them.

4. Improved Performance Strategic management helps an organization to

   Increased Innovation Strategic management encourages innovation within an organization. By analyzing the external environment and identifying opportunities, an organization can develop strategies to take advantage of these opportunities and stay ahead of its competitors.

5. Enhanced Organizational Learning Strategic management promotes organizational learning. By monitoring the progress of its strategies and making any necessary adjustments, an organization can learn from its successes and failures and improve its future performance.

Limitations of Strategic Management The following are some limitations of strategic management:

1. Time-Consuming Strategic management is a time-consuming process that requires significant resources and expertise. It can take a long time to analyze the external and internal environment of an organization and develop strategies to achieve the organization's goals.

2. Complexity Strategic management can be complex and difficult to implement. It requires a deep understanding of the organization's resources and capabilities, as well as the external environment, to develop effective strategies.

3. Resistance to Change Strategic management can be met with resistance from employees who may be resistant to change. Implementing new strategies can be challenging, and employees may be resistant to new ways of doing things.

4. Lack of Flexibility Strategic management can be inflexible. Once strategies are developed and implemented, it can be challenging to make changes, even in the face of new opportunities or threats.

Organizations that must make important strategic choices including complicated tasks, change, uncertainty, and inefficient marketplaces must use strategic management. The following is a summary of these qualities:

1. Due to the task's complexity, more precise plans are required to make sure that all of the different parts work together.
2. Since organizations are built to mainly handle recurring circumstances, large changes generate a requirement for strategic management. The environment, rivals, or the company itself may be the source of these changes. The typical bureaucratic reactions would be less helpful for significant changes. Planning is required for major changes as opposed to just reacting.
3. Uncertainty may lead to a waste of resources and in today's atmosphere of change, uncertainty is significant for most major enterprises. Planning becomes more necessary when uncertainty rises. When it comes to "what if" scenarios, strategic management can help the business come up with solutions.
4. Since the behaviors of the company are not determined by the pricing system, inefficient marketplaces need strategic management. The organization may act in a variety of ways. No matter what a specific firm accomplishes, an effective market would keep stakeholders informed and work to guarantee that their demands are addressed.

If they don't plan well, another business will take their position. The following is a list of the most common questions asked by our customers about our products and services. It has a difficult work, there will be significant changes, there is a lot of uncertainty since many action organizations oppose the production of nuclear power, and the market is inefficient because the government subsidizes the cost of production and also pays for catastrophes[5], [6].

Investing in formal strategic management may be compared to buying insurance against the following risks: That could be essential. However in instances when the risk is minor, the investment in strategic management may not be essential. In this session, we will first look at Strategy and examine the notion. We will also talk about how, beginning in the 1960s, business strategy changed as a result of the many schools of thought. We will focus on Prahalad and Hamel's idea of stretch as well as the Resource Based Theory, New Positioning Method, and other theories. We will connect the problem-solving method of strategic thinking to the strategic management process. Also, we'll attempt to clarify, go over, and investigate several facets of strategic planning and strategic management.

The phrase initially entered common use at the end of the 18th century and referred to a general's attempts to fool an adversary, preparations established for a campaign, and the movement and

deployment of his troops during combat. German strategist Clausewitz (1780–1831) is regarded as the founder of contemporary strategy studies and the first really brilliant student of strategy. Clausewitz made many and varied contributions to strategic theory. He was the first to understand the function of war both as an instrument of social progress and as a political act. He was also the first to draw attention to the fact that war strategy was a tool for enforcing law rather than a goal in and of itself[7].

The definition of the word "strategy" has greatly evolved from its military origins. Nowadays, strategy is applied in all situations where there is a long-term time horizon, resource rivalry, and goal realization are the main objectives. As the theoretical field of strategy has grown in significance, researchers have worked to pinpoint the strategic tenets that have historically led military strategists in battle. A strategy is a collection of important choices taken to accomplish goals. For further information, see the website. Countries have found it important to develop methods that modify and link military aspects with political, economic, technical, and psychological considerations in order to govern their national agendas. It gives us the preferred route we should follow for the trip that we actually take, whether it be managing national policy, international relations, or simply a game on the playing field.

Since strategy relates to the means by which a certain goal will be accomplished, every company competing in a particular industry has one. "Strategy" is the foundation for the formation of a business company and is a fundamental prerequisite for a firm to thrive and maintain itself in today's changing environment. It defines our goals and directs our path in the marketplace. Both strategy and tactics focus on creating and then executing plans of action meant to achieve certain goals. The language of tactical man oeuvre is also, in large part, the language of strategic man oeuvre. 'Tactics' is described as tactics or a science of distributing and maneuvering forces to attain a specific goal or an immediate end.

In terms of dimensions, strategy and tactics are different from one another. Most of the time, strategy is concerned with allocating resources, while tactics is concerned with using them. Tactics deal with small movements of troops in small areas over short periods of time; strategy deals with the reverse. Tactics are the actual action, while strategy serves as its catalyst. While the distinction between strategy and tactics is sometimes unclear, while there are differences between strategy and tactics in theory, this is not necessarily the case in reality[8].

The goal of strategy is to achieve outcomes by giving tactics their own purpose and resources. Then, tactics play a crucial role in the strategy's conditioning, and when the tactics change, so does the strategy. Strategy starts a movement, which then inspires an action, which then sparks another movement. The movement and the action are related, and they often blend into one another. The link between strategy and tactics is distinct. Each technique has the potential to provide a crucial strategic opening. Understanding the distinction between strategy and tactics is essential since it may provide the business a strategic advantage. It enables us to execute any method while keeping in mind the organization's overall position and the specific plan. Without making any investments, this skill may increase the effectiveness of the company.

"To be the best recognized, most dependable, most respected company in the target market." If that is the overarching objective, we must next consider how our strategies help us to accomplish this significant objective. If our salesman is only seeking to make a sale, then he is functioning solely strategically.

If he can think strategically, he must ask, "What should I do to sell the product and make the buyer feel my firm is the best in the market?" If he is successful in his sale, he will have increased the organization's effectiveness at no additional expense. If not, he will just be chasing the current sale and not creating something long-lasting for the company. This is challenging because most company executives, even those from the largest companies in the world, struggle to distinguish between strategy and tactics because they are so tactical. Plan, pattern, posture, ploy, and viewpoint are all examples of strategies. Strategy, like a plan, describes how we expect to achieve our objectives. As a pattern, strategy is the "rhyme and reason" that develops when we make the countless choices necessary to reconcile the world we live in with the goals we are most passionate about. The posture we adopt is our position, which is our strategy: take the high ground, be the low-cost supplier, compete on the basis of value, price to what the market will bear, equal or surpass the price supplied by any rival, and meet any threat. Letting your left hand know what your right hand is doing is a method that depends on secrecy and deceit. In the same way that perspective is both a vantage position and the vision from that vantage point, strategy is also primarily how this view shapes and directs choices and actions. Strategy is used everywhere. It may be found at the highest levels of corporate, political, military and organizational activity and in small, medium and large groups. It may lead to collaboration and cooperation and is used to establish the foundation for competitiveness. Even now, it may be seen directing and elaborating on individual initiative[9], [10].

A construct and an abstraction, strategy. It lacks any real substance or structure. It can most effectively be explained via words and graphics. Yet just as "the map is not the region," so are the words and illustrations used to describe strategy. The art of the general is strategy. It has a wide scope, a long reach, and depth. It deals with the preparations taken before to a conflict or the engagement of an adversary. But it's also about averting conflict and eliminating needless violence. As much as it is about defeating the adversary directly in a combat, it is also about breaking the enemy's desire to fight. If it seems overly militaristic, think of the economic analogy: a company that erects entrance barriers so high that potential rivals give up and leave. In other words, weakening one's will to battle is essentially the same as weakening one's drive to compete.

Strategy is a broad plan of attack, an approach to a problem, the first step in aligning the methods or resources at our disposal with the aims or outcomes we keep in mind. Of course, the next stage is to use tactics. While tactics are concerned with using them, strategy is concerned with using them. There can be no strategy without some kind of purpose in sight, and tactics will consist of mindless flailing activity for the sake of action[11].

Hence, strategy is relative, meaning that it only exists in relation to some aim, goal, or target. Be careful to respond, "In respect to what," if someone asks us, "What is your strategy?" Strategy is a plan with a goal. At the same time, the strategy declares, "We are travelling along this road to

get there." Nevertheless, as was already said, it is also a ploy and a deceit; in other words, our plan leads us down a route with numerous branches, and only we know our goal and the decisions we will make when faced with them. In a nutshell, strategy is a means of confusing our adversaries, or, to use less violent terminology, our rivals. What traits define strategy and what actions qualify as "strategic decisions"? The Dorsey Company was a mid-sized business. The company's key officials were Charles Sewell, president of Sewell Plastics, and John T. Pollock, chairman of the board.

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CHAPTER 2

CRAFTING EFFECTIVE MISSION STATEMENTS: AN ANALYSIS OF BEST PRACTICES AND THEIR IMPACT ON ORGANIZATIONAL PERFORMANCE

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Mission statements are concise, clear, and impactful statements that define an organization's purpose, values, and objectives. They serve as a guide for decision-making and help to align stakeholders, employees, and customers around a shared vision. A mission statement typically answers three fundamental questions: what does the organization do? Why does it exist? And how does it accomplish its goals? The history of mission statements can be traced back to the early 20th century when companies started to realize the importance of having a clear and coherent sense of purpose. Since then, mission statements have evolved into a vital tool for organizations of all sizes and types. In this Paper, we will explore the importance of mission statements, how to create one, and how to use it effectively[1], [2].

A well-crafted mission statement can provide a host of benefits to an organization. Some of the most important ones are:

1. **Providing Direction:** A mission statement can act as a compass, guiding an organization's decision-making processes by aligning all stakeholders around a shared vision.
2. **Building Brand Identity:** A mission statement can help to differentiate an organization from its competitors by articulating its unique value proposition.
3. **Attracting Investors:** A well-defined mission statement can attract investors who share the organization's values and are interested in its long-term success.
4. **Improving Employee Engagement:** A mission statement can create a sense of purpose and direction for employees, which can lead to greater job satisfaction, productivity, and loyalty.
5. **Enhancing Customer Loyalty:** A mission statement that resonates with customers can create a sense of brand loyalty and help to retain customers over the long term.

Creating a mission statement is a collaborative process that involves input from various stakeholders. Here are some steps to follow when creating a mission statement:

1. **Define Your Purpose:** Start by defining what your organization does and why it exists. What is the problem that you are trying to solve, and what is your unique approach to solving it?

2. **Identify Your Values:** Next, identify the values that guide your organization's decision-making processes. These could include things like honesty, integrity, innovation, and customer-centricity.
3. **Craft Your Statement:** Use your purpose and values as a starting point to craft your mission statement. Keep it concise, clear, and impactful. Aim for a statement that is no longer than one or two sentences.
4. **Refine and Iterate:** Once you have a draft of your mission statement, share it with stakeholders and solicit feedback. Refine and iterate until you have a statement that resonates with everyone involved.

How to Use a Mission Statement?

A mission statement is only effective if it is used consistently and effectively. Here are some tips for using a mission statement effectively:

1. **Communicate it clearly:** Make sure that your mission statement is communicated clearly and consistently across all channels. This includes your website, social media, and any other marketing materials.
2. **Use it to Guide Decision Making:** Refer to your mission statement when making important decisions to ensure that they are aligned with your organization's values and goals.
3. **Use it to Attract Talent:** Include your mission statement in job postings and during the hiring process to attract candidates who share your organization's values and vision.
4. **Use it to Evaluate Performance:** Use your mission statement to evaluate your organization's performance and identify areas where you can improve.

The dangers of overlooking alternative strategies more appropriate for a changing environment must continuously be weighed against the dilemma of employing a well-articulated plan to redirect organizational resources effectively and efficiently. There is potential for clever opportunism that both advances the desired strategy and leaves allow for the emergence of other strategies. The goal of strategic thinking is to place ourselves in the best possible position to engage the adversary and to force them to engage in a disadvantageous manner. It develops strategies for fostering in the organization the qualities of teamwork, problem-solving, and critical thinking. It offers the organization a focus on the strategic advances it should be pursuing and a picture of the future it is heading towards. It also fosters shared understanding and provides a framework for in-depth planning[3].

An knowledge of the linkages between all aspects of the organization, its business, and its interactions with others; being able to comprehend the "full picture" and how they relate to one another both now and in many potential futures Creativity involves thinking outside of the box and challenging the presumptions that underlie the current business organization and operations. Scenario generation and evaluation involves considering a variety of potential futures for the organization through the formulation and discussion of "What if?" questions.

Finally, using strategic thinking enables an organization to: gain understanding of the forces influencing the new competitive paradigm; methodically build a sustainable competitive advantage based on its core competencies; establish a framework for the continuous review and redefinition of strategic direction to maximize results while minimizing the time required for this process; and identify and seize new market developments and opportunities[4].

Eminent economists are responsible for some of the first scholarly works on strategy. In his 1934 book, John Commons discussed how businesses tend to concentrate on strategic or limiting variables. In 1937, Ronald Cease posed the startling question, "Why do corporations exist?," in a piece that is still relevant today and won him the Nobel Prize. Joseph Schumpeter presented the concept that company strategy comprised considerably more than the price-setting envisioned in conventional microeconomics in his 1942 book. In a book written in 1959, Edith Penrose made a clear connection between the resources that companies were able to manage and the organizational structure that was in place to coordinate their utilization.

Theodore Levitt concentrated on the needs of the consumer in his landmark 1960 paper, "Marketing Myopia," about a company's "willingness to risk" on its particular skill. When businesses fail, "it often implies that the product fails to adapt to the continually shifting patterns of customer demands and preferences, to new and updated marketing institutions and practices, or to product advances in related sectors," according to the Harvard Business Review. Igor Handoff, a different eminent strategist, described the organization's "mission," or its determination to capitalize on an unmet demand in the market as a whole. Strategic Management Diversification and technical advancements made many firms' strategic circumstances more complicated in the 1970s, necessitating the development of more advanced metrics that could be used to assess and contrast a wide range of business models[5].

It led to a need for fresh strategic thinking. In the past three decades, research has exploded and our knowledge of the role strategy plays in 'organizations' competitive advantage, sustainability, and growth has deepened. The Design, Planning, Positioning, and (perhaps partially) Entrepreneurship Schools all use a prescriptive approach. The fundamental areas of strategic management and planning (analysis, strategy creation, and execution) are seen as a logical and linear process by these rather well-defined Schools. A prescriptive strategy is one whose key components have been devised and whose purpose has been established in advance.

The Cultural, Learning, Cognitive, Power, and Environmental schools use the descriptive or emergent method. These schools claim that strategy develops through time by responding to human needs. They place greater focus on learning and flexibility than on planning, which encourages more experimentation and invention. These Schools may have developed into something that is comparatively unique and cohesive, yet they have also merged. The lines between them are often blurred, and they err into one another's territory, gradually borrowing more from one another. Recent methods to strategy formulation that creatively blend the ideas and concepts of these many schools demonstrate this. In contrast to Porter's and others' work on strategic maneuvering, which ties the Positioning to the Power School, research on stakeholder analysis connects the Planning and Positioning Schools. Chaos theory may be thought of as a

cross between the Learning and Environmental Schools when it comes to strategic management. The ideas represented in strategic planning are developed in strategic management.

Businesses in Phase I often have excellent business plans, but the budgeting process reflects the business strategy. The yearly budgeting process reduces the organization's ability to operate to a money issue. To predict income, expenditures, and capital requirements, procedures are established. This budget sets yearly spending caps for certain categories. To develop control and feedback, functional performance reporting from information systems is contrasted with budgetary objectives. This might be expressed in the anticipated growth rate of sales and profits, sometimes qualified by a specific debt/equity ratio or other stated financial goals. The main flaw in the long-range planning model is that it often fails to take into consideration the changing external environment in a systematic or thorough manner[6], [7].

It is assumed that the environment is constant. This presumption is only true in very specific situations, such as mature businesses or fundamental sectors like mining. As a result, this kind of model's applicability in dynamic situations is constrained. As opposed to a year for Phase I, this phase often begins with a time horizon of around 3-5 years, much like the yearly budget. The models do become more complex as the organization builds up its capabilities, however. Early models often show a substantial difference between the actual situation and the predictions. Simple extended budgeting models often fall short of detecting significant environmental changes. As these models advance in sophistication, they mitigate the detrimental effects of the previous models' poor accuracy on company fortunes.

Phase II does, however, increase the efficiency of strategic decision-making. It pushes managers to consider the long-term effects of choices and the possible business effects of apparent present trends. Phase II has a significant influence on resource allocation. Planners develop their ability to examine the movement of cash and other resources across business divisions over a longer time horizon when faced with long-term resource restrictions. Organizations, however, often concentrate on existing capabilities rather than the quest for longer-term solutions because of the constrained perspective of the horizon. Moreover, the model is deterministic, meaning that the right strategy for a company is chosen based on its present position using a generalized formula. And Phase II organizations often see positioning as the final result of strategic planning, rather than as a beginning point[8].

However, because the emphasis is on short- or medium-term operating performance at the expense of long-term objectives, the key business issues are frequently ignored. Phase II systems are useful for analyzing medium-term trends and setting operational objectives such as productivity improvement or better fund utilization. Planners often use increasingly sophisticated forecasting technologies to deal with the challenges of the market as organizations grow more competitive. Trend analysis, regression models, and ultimately computer simulation models may be included in this. These models represent a development. They enrich the long-term planning process with data from the outside world. Environment scanning is used to: l Find new, possibly important information that needs to be added to what has already been found and monitored during monitoring; l Find prospective developments that need to be utilized to modify projections for internal concerns produced from forecasting.

The Strategic Planning Model was developed by combining the two planning models, long-range planning, and environmental scanning. The Strategic Planning model is a tool that aids in goal-setting, resource analysis, the production of strategic choices and their assessment, as well as the planning, design, and implementation of control systems or monitoring mechanisms for an organization. When internal changes predominate in the company environment, corporate planning departments that are equipped with the tools and strategies to codify the strategic planning system are particularly successful.

Nevertheless, when external environment changes take center stage, they highlight the shortcomings of a formal planning framework. Corporate planning departments must thoroughly prepare for the future, managing a variety of crucial operations down to the last detail, in order to survive. They lay out for nearly everyone what can and cannot be done in certain instances by meticulously outlining rules and procedures.

They set hurdle rates, assess risks, and plan for eventualities. Data analysis and decision-making tools of strategic planning do not make the company operate - they can only complement the intuition, reasoning abilities, and judgment that people bring to their business. The acceptance of the strategy and organizational dynamics have a role in strategic planning's effectiveness. The remainder of this book will focus on the success of strategic management[9], [10].

The issue, in Mintzberg's opinion, is that many strategic planners mistakenly assume that formulating strategies and thinking strategically are the same thing. Managers may return to the proper steps in the strategy-making process once they are aware of the distinction between planning and strategic thinking capturing what the manager learns from all sources (including the hard data from market research and the like, as well as the soft insights from his or her own personal experiences and the experiences of others throughout the organization), and then synthesizing that learning into a vision of the direction that the business should pursue."

Strategic planning, according to Henry Mintzberg (1994) in his paper titled "The Fall and Rise of Strategic Planning," is simply the process of expressing and developing already-existing plans. Mintzberg claims that while strategic thinking is about synthesis, using intuition and creativity to form an integrated perspective, a vision, of where the organization should be heading, strategic planning is about analysis (i.e., breaking a goal down into steps, designing how the steps may be implemented, and estimating the anticipated consequences of each step.

The first objective of Strategic Management is establishing the organization's vision, purpose, and value statements. The majority of these claims are based on organizational internal procedures. They represent the organization's strategic aim and have the most influence on the organization's identity and destiny.

The organization's survival depends on its vision, purpose, and values, each of which has unique qualities and functions. The organization's VISION is what propels it forward. An organization's motivation is its vision. It must have long-term significance in order to inspire employees even when the business is experiencing bleak circumstances. The founders' goals and objectives when they started the organization are referred to as the MISSION. It must be regularly reviewed and updated in the complex world of today.

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CHAPTER 3

ALIGNING STRATEGY AND EXECUTION: EXPLORING THE ROLE AND IMPORTANCE OF HIERARCHICAL LEVELS OF PLANNING IN ORGANIZATIONAL SUCCESS

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Planning is the process of determining the goals, objectives, strategies, and actions necessary to achieve desired outcomes. Planning is a critical management function that helps organizations to set direction, allocate resources, and prioritize activities. Effective planning requires an understanding of the various hierarchical levels of planning that exist within organizations. There are typically three levels of planning that exist within organizations: strategic planning, tactical planning, and operational planning.

These levels of planning are interconnected and interdependent, with each level contributing to the overall success of the organization. Strategic planning is the highest level of planning within an organization. Strategic planning involves developing long-term goals and objectives for the organization and determining the resources needed to achieve them. Strategic planning is typically conducted by senior executives or top-level managers who have a broad view of the organization and its environment.

The strategic planning process involves a number of steps, including:

1. **Developing a mission statement:** A mission statement is a brief statement that describes the organization's purpose, values, and overall direction.
2. **Conducting a situational analysis:** A situational analysis involves evaluating the organization's internal and external environment, including its strengths, weaknesses, opportunities, and threats.
3. **Developing a strategic vision:** A strategic vision is a statement that describes the organization's desired future state and how it will achieve that state.
4. **Establishing strategic goals and objectives:** Strategic goals and objectives are specific, measurable targets that the organization aims to achieve within a specified time frame.
5. **Developing a strategic plan:** A strategic plan outlines the actions and resources needed to achieve the organization's strategic goals and objectives.

Tactical planning is the second level of planning within an organization. Tactical planning involves developing short-term plans and strategies that support the organization's long-term strategic goals and objectives.

Tactical planning is typically conducted by mid-level managers who are responsible for specific departments or functions within the organization[1]–[3].

The tactical planning process involves a number of steps, including:

1. **Defining specific objectives:** Specific objectives are measurable targets that support the organization's strategic goals.
2. **Allocating resources:** Resources, including personnel, equipment, and budget, are allocated to support the achievement of tactical objectives.
3. **Developing action plans:** Action plans outline the specific steps needed to achieve tactical objectives.
4. **Establishing performance measures:** Performance measures are used to monitor and evaluate progress towards achieving tactical objectives.

Operational planning is the third level of planning within an organization. Operational planning involves developing detailed plans and procedures that support the achievement of tactical objectives. Operational planning is typically conducted by front-line managers who are responsible for specific tasks or activities within the organization.

The operational planning process involves a number of steps, including:

1. **Developing work plans:** Work plans outline the specific tasks, activities, and resources needed to achieve operational objectives.
2. **Assigning tasks:** Tasks are assigned to specific individuals or teams based on their skills and expertise.
3. **Establishing schedules:** Schedules are established to ensure that tasks are completed on time and within budget.
4. **Monitoring progress:** Progress towards achieving operational objectives is monitored and evaluated to ensure that the organization remains on track.

Hierarchical planning is important for several reasons. First, it ensures that the organization's goals and objectives are aligned at all levels of the organization. This alignment helps to ensure that all levels of the organization are working towards the same objectives and are not working at cross-purposes.

Second, hierarchical planning helps to ensure that resources are allocated efficiently and effectively. Strategic planning helps to ensure that resources are allocated in a way that supports the organization's long-term goals, while tactical and operational planning helps to ensure that resources are used efficiently in the short-term[4], [5].

Finally, hierarchical planning helps to ensure that the organization remains adaptable and responsive to changing circumstances specifically, hierarchical planning helps to:

1. **Improve Communication:** The hierarchical levels of planning create a clear and consistent communication pathway between different levels of management. This communication ensures that everyone within the organization understands their roles, responsibilities, and goals, and can work together effectively to achieve them.

2. **Enhance Decision Making:** Each level of planning within an organization is responsible for making decisions that align with the overall strategic direction of the organization. By ensuring that decisions are made at the appropriate level, the organization can avoid duplication of effort and ensure that resources are being used effectively.

3. **Increase Accountability:** Hierarchical planning creates a clear chain of responsibility and accountability within an organization. Each level of planning is responsible for achieving its own objectives and contributing to the overall success of the organization. This accountability ensures that everyone within the organization is aware of their responsibilities and can be held accountable for their actions.

4. **Foster Innovation:** Strategic planning allows organizations to identify new opportunities and develop innovative strategies to capitalize on them. Tactical planning allows organizations to experiment with new approaches and test innovative ideas in a controlled environment. Operational planning allows organizations to refine and optimize their processes to improve efficiency and effectiveness.

5. **Facilitate Flexibility:** Hierarchical planning allows organizations to respond quickly and effectively to changes in their environment. By having a clear understanding of the organization's goals and objectives at all levels, managers can make informed decisions about how to adapt to changing circumstances.

Despite its many benefits, hierarchical planning also has some challenges. One of the biggest challenges is ensuring that each level of planning is aligned with the others. If there is a misalignment between strategic, tactical, and operational planning, the organization may not be able to achieve its goals effectively.

Another challenge is ensuring that plans remain relevant in a rapidly changing environment. Strategic plans that are developed today may no longer be relevant in a year's time, and operational plans may need to be adapted on a daily basis to respond to changing circumstances. The three elements that make up the organization's focus and context are its vision, values, and purpose. They establish a hierarchy. The mission and values of the company follow from its vision. The firm's objectives follow from the mission[6], [7].

Visioning occurs initially when you start the process of business strategy planning. When Martin Luther King Jr. stated, "I have a dream," a vision that altered a country followed. Its well-known speech serves as a dramatic illustration of the strength that a captivating future vision may provide. A plan may be implemented using a vision as a guide. Visions include thoughts, emotions, sensations, and visual images.

What success will look like is addressed in a vision statement. The desire to achieve this idealized accomplishment is what drives individuals to cooperate. It is a crucial prerequisite for building a solid foundation. The likelihood of making the best choices in business decisions increases when all of the workers are dedicated to the company's ambitions and goals. The

crucial starting point and focus point for good performance is vision. Yet it is clear that a vision alone won't bring it about. Without trying, creating, and improving, even the most thrilling goal will stay just a dream.

What is the purpose of the company? What is its value addition? What is it used for? In the eyes of consumers and the market, where does it wish to be positioned? What kind of business is it? These are all questions of purpose. They address the more fundamental reasons and presumptions that underlie the values and purpose that define the organization's framework and point of emphasis. Your mission statement outlines the goals and duties of your organization.

Your mission statement depends on your believe statements. Your mission statement must be future oriented and represent your company as it will be, as if it already exists. Your mission statement must highlight a single shared objective. Your organization's mission statement must be unique, not general. The organization is distinguished from others by its mission declarations. They define the organization's business, offer value, and give meaning to the organization's purpose. The mission should contain specific responses to the questions above, just as the vision and values do. It ought to instill a strong feeling of company identity and corporate mission.

The organization's diversification strategy is directly impacted by the mission statement. It offers guidance on the tactical selection of diversification tactics. The possibilities are constrained if the regions are connected. The new goods and services may share technology, serve comparable markets, or possess comparable capabilities, among other possible connections between the diversification possibilities[8].

In terms of mission statements specifically, a well-written mission statement has to be specific enough to pinpoint the true area of interest and act as a roadmap for the company's senior management. Mission statements that are too general provide little direction for developing strategies. Yet, diverse businesses will define their missions more broadly than monolithic ones. In any instance, the statement should lead to the path the organization wishes to pursue.

To provide quick food to customers that is of the same excellent quality everywhere, delectable, and fairly priced, and is provided in a consistent setting with simple furnishings and a welcoming attitude. With the instances mentioned above, the mission statement of Ranbaxy delivers a clear indicator of the management's aim. As a matter of fact, Ranbaxy declined a rich chance to grow by starting up company in the USSR. The management believed that this would prevent it from achieving its goal of developing into a global pharmaceutical company.

Similar to this, the mission statement for McDonald's, which is provided above, makes it clear what its management's intentions are. It declares that it aspires to stay in the competitive, high-quality fast food sector while considering both home and foreign markets. Due to a lack of vision in defining their company horizon in the mission statement, many industries have disappeared. A railroad corporation may be engaged in the "business of operating railroads" or "the business of moving people and goods." In a similar vein, a cosmetics company may be engaged in the "making of cosmetics" or the "enhancing of beauty" business. An oil company can 'supply oil products' or it can be in the 'energy business.' For example, J. Helene Curtis says that is in the 'enriching beauty business'. Oil & Natural Gas Commission (ONGC) presents its mission

statement as, "To stimulate, continue and accelerate efforts to develop and maximize the contribution of the energy sector to the economy of the country."

Many companies define their business too narrowly. That means they often miss new market opportunities. Or they don't provide a broader level of service support to their basic products or services. So customers start looking elsewhere. At the other extreme, some companies define their business too broadly. That often takes them beyond their \score competencies into businesses they don't understand[9], [10]. The results are often very expensive and sometimes fatal learning experiences.

It will determine who we consider your competition is, and this focus can very often be the basis for the survival of the firm. Management philosophers believe that if the carriage makers of yesterday had realized that they were in the business of 'providing personal transportation to people' and not in the 'carriage making business', many of them would have survived the introduction of the motorcar. Similarly, gas light manufacturers would have survived the electric bulb. An inadequate vision of the business horizon is often called, 'organizational myopia.'

To help people help themselves and their environment by providing resources, sharing knowledge, building capacity, and forging partnerships in the public and private sectors. To be an excellent institution able to attract, excite, and nurture diverse and committed staff with exceptional skills who know how to listen and learn. Our Principles: Client centered, working in partnership, accountable for quality results, dedicated to financial integrity and cost-effectiveness, inspired and innovative. To provide any customer a means of moving people and things up, down and sideways, over short distances with higher reliability than any other enterprise in the world. If we study the Mission Statements carefully, we will notice that these statements have three distinct and identifiable components.

Corporate Strategic Planning the Ford Foundation Mission Statement identifies "the world living in poverty" as its key market, Otis Elevator identifies the key market as, "any customer" and McDonald's mission statement that was given earlier, identifies the key market as "fast food customers." The distinctions are specified in the last part of the statements. The distinction of Ford Foundation is, "To be an excellent institution able to attract, excite, and nurture diverse \sand committed staff with exceptional skills who know how to listen and learn." In the case of Otis Elevator it is, "with higher reliability than any other enterprise in the world," \sand in the case of McDonald's it is, "delivered in a consistent low key décor and friendly manner."

Mission statement can set the direction of the business organization by identifying the key market, the contribution the organization plans to make to the key market, and the distinctive competencies' or 'value' the organization will provide in its focus on to serve the key market. This provides clarity and focus to the strategy that the organization employs.

1. **Outward Looking Statements:** There are different ways to define in a mission statement customer needs - what is being satisfied; and Customer Groups - Who is being satisfied. Looking outwards at customer needs makes the organization a market driven organization and customer driven firm.

2. **Our purpose in Unilever is to meet the everyday needs of people everywhere:** To anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.
3. **Inward Looking Statements:** A mission statement can also be defined by technologies used and functions performed - How customer needs are satisfied. Looking inwards at how customer needs are satisfied makes the organization a specialized, fully integrated or partially integrated organization.

Consistent with the vision and values of the founder Jamshedji Tata, Tata Steel strives to strengthen India's industrial base through the effective utilization of staff and materials. The means envisaged to achieve this are high technology and productivity, consistent with modern management practices. Tata Steel recognizes that while honesty and integrity are the essential ingredients of a strong and stable enterprise, profitability provides the main spark for economic activity.

Mission Statements by Functional Areas: Though mission statements are generally considered to be in the domain of the corporate entity, sometimes, these are made by functional areas in an organization also. They may be used to focus on the department's contribution to the overall mission of the company; the department's role and scope within the company; and direction in which the department needs to move. This is more common in highly diversified firms or firms that have a high level of specialization.

The value statements give a common cause and a common sense of purpose across the organization. Just like the mission statement, it provides the direction to the strategy of the organization. It provides an explicit depiction of values to guide the organization in choosing among competing priorities, thereby setting the organization apart from others. Organizational Values can set the direction of the business organization by identifying the contribution the organization plans to make to the key market, and the 'distinctive competencies' or 'value' the organization will provide in its focus on to serve the key market. The statements should speak loudly and clearly for themselves, elicit personal effort and dedication and generate enthusiasm for the firm's future - the strategy of the organization.

The value statement of the Ford Foundation provides guidelines to the moral conduct of the organization in achieving its mission and objectives. The statements reflect that the Ford Foundation do not believe in a 'no holds barred' strategy. The strategies that it will adopt will be limited by the ethical values of the organization. The value statement is given below, as an example: Personal honesty, integrity, commitment; working together in teams - with openness and trust; empowering others and respecting differences; encouraging risk-taking and responsibility; enjoying our work and our families. As with vision and its mission, the organizational values provided should be clear, to provide answers to what strategic options are acceptable to the organization. It should add to the sense of organizational identity and business purpose and identify the areas of value-addition of the organization in its business. The Values of an organization are often built with associations. You create a simple and consistent message of who you are, what you're looking for, and your uniqueness as differentiated from others[11].

For example, what does Pillsbury mean? Pillsbury perhaps means a lot because it is identified with high quality dough products. Two of the biggest names that have emerged in the past decade are Amazon and Starbucks. Does Starbucks mean coffee? Absolutely \snot. But we get to know a company and that starts to create an image. It is linked in customers' minds with attributes or benefits. Identity is the answer to the question, "Who are we?" The Tata's have been advertising, "Tata, a century of trust". This corporate identity reflects the personalities and values of the founders and its management. It envelops the whole group of industries operating in different areas of business and the economy.

The value statement of Wipro Technologies provides a direction on the purpose and identifies the areas of value-addition of the organization. Wipro identifies as its values providing innovative, value-for-money solutions to its customers and to keep innovating and thinking about innovative solutions on a daily basis. The value statement of Wipro is given below.

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CHAPTER 4

FROM VISION TO ACTION: ANALYZING THE STRATEGIC PLANNING PROCESS AND ITS IMPACT ON ORGANIZATIONAL PERFORMANCE

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Strategic planning is an essential process for any organization that aims to achieve long-term success. It involves developing a clear and comprehensive plan that outlines an organization's goals, objectives, and actions to achieve those goals. The strategic planning process involves several key stages that help organizations identify opportunities, develop strategies, allocate resources, and monitor progress.

In this Paper, we will discuss the strategic planning process in detail and provide a comprehensive guide on how to develop an effective strategic plan. The first step in the strategic planning process is to define the vision, mission, and values of the organization. These statements provide a clear understanding of the organization's purpose, direction, and beliefs. The vision statement should be an inspiring statement of what the organization wants to achieve in the long-term. It should be concise, specific, and realistic.

The mission statement outlines the purpose of the organization and its core values. It should be clear, concise, and actionable. The values statement outlines the principles that guide the organization's behavior and decision-making. It should be specific, relevant, and consistent with the organization's culture. Once the vision, mission, and values have been established, they should be communicated effectively to all stakeholders. This will ensure that everyone understands the organization's purpose, direction, and values, and can work towards achieving the same goals[1], [2].

The second stage in the strategic planning process is to conduct a situation analysis. This involves gathering and analyzing information about the organization's internal and external environment. This analysis will help identify opportunities and threats, strengths and weaknesses, and trends that may affect the organization's ability to achieve its goals. The internal analysis should focus on the organization's strengths and weaknesses. This includes an assessment of the organization's resources, capabilities, and core competencies. The external analysis should focus on the organization's opportunities and threats. This includes an assessment of the competitive landscape, market trends, and regulatory environment.

The situation analysis should be comprehensive and objective. It should involve input from a variety of stakeholders, including employees, customers, suppliers, and partners. This will ensure that the organization has a clear understanding of its strengths, weaknesses, opportunities, and threats[3], [4]. The third stage in the strategic planning process is to set goals and objectives. Goals are broad statements that describe what the organization wants to achieve. Objectives are

specific, measurable, and time-bound targets that the organization aims to achieve to reach its goals. When setting goals and objectives, it is essential to ensure that they are SMART: Specific, Measurable, Achievable, Relevant, and Time-bound. This will ensure that they are clear, actionable, and achievable. Goals and objectives should be aligned with the organization's vision, mission, and values. They should be based on the results of the situation analysis and take into account the organization's strengths, weaknesses, opportunities, and threats.

Developing Strategies

The fourth stage in the strategic planning process is to develop strategies. Strategies are the specific actions that the organization will take to achieve its goals and objectives. They should be aligned with the organization's vision, mission, and values and take into account the results of the situation analysis. Strategies should be comprehensive and focused. They should be based on a clear understanding of the organization's strengths, weaknesses, opportunities, and threats. They should also take into account the organization's resources, capabilities, and core competencies. Strategies should be developed with input from a variety of stakeholders, including employees, customers, suppliers, and partners. This will ensure that the strategies are comprehensive and relevant[5], [6].

The fifth stage in the strategic planning process is to allocate resources. This involves identifying the resources required to implement the strategies developed in the previous stage. Resources may include financial resources, human resources, technological resources, and physical resources. When allocating resources, it is important to prioritize them based on the organization's goals and objectives. This will ensure that the resources are used effectively and efficiently. It is also important to consider the trade-offs involved in allocating resources. For example, investing in a new technology may require a significant financial investment but may provide long-term benefits to the organization.

The sixth stage in the strategic planning process is to develop an implementation plan. This involves identifying the specific actions required to implement the strategies developed in the previous stage. The implementation plan should include details such as timelines, milestones, responsibilities, and performance measures. It should also take into account any risks or challenges that may arise during implementation. The implementation plan should be developed with input from all stakeholders. This will ensure that everyone is clear on their roles and responsibilities and that the plan is comprehensive and achievable. The final stage in the strategic planning process is to monitor and evaluate progress. This involves tracking the implementation of the plan and assessing its effectiveness.

Monitoring and evaluation should be based on the performance measures identified in the implementation plan. These measures should be tracked regularly to ensure that the organization is on track to achieve its goals and objectives. Any issues or challenges that arise during implementation should be addressed promptly to ensure that the plan stays on track. Adjustments may need to be made to the plan to ensure that it remains relevant and achievable.

The strategic planning process is an essential process for any organization that aims to achieve long-term success. It involves developing a clear and comprehensive plan that outlines an

organization's goals, objectives, and actions to achieve those goals. The strategic planning process involves several key stages, including defining the vision, mission, and values, conducting a situation analysis, setting goals and objectives, developing strategies, allocating resources, developing an implementation plan, and monitoring and evaluating progress.

By following these stages, organizations can develop an effective strategic plan that is aligned with their vision, mission, and values and is based on a clear understanding of their strengths, weaknesses, opportunities, and threats. This plan can then be used to guide decision-making and ensure that the organization is on track to achieve its long-term goals and objectives with utmost respect to human values, we promise to serve our customers with integrity through innovative, value-for-money solutions, by applying thought day after day.

Though Mission and Value Statements are generally separate, organizations sometimes combine the two together. Therefore, very often, we will find a Value Statement of the organization but no Mission Statement, or it may be the other way round. In such cases 37 Corporate Strategic planning the mission statement should also define the values of the organization or, the value statement should provide the mission of the organization.

Many Indian organizations compromise on their values. Simulated by an environment where corruption is accepted, they have developed values where they cut corners, and manage the environment'. In order to meet the future face on, organizations should be bound together by their 'values' and be governed by them. Organizations find it difficult to establish a sense of purpose if they compromise on their values, irrespective of how exciting and well-crafted their vision might be[7], [8].

Jack Welch of GE fame says, "Objectives and strategies don't get you there, values and people do. We defined a set of values and those values then determined who would be in the management team. Anyone who could not conform to those value. In a competitive economy driven by the cruel logic of markets, a company with a determined management can transform an organization much more quickly and much more effectively than in the past. Clearly articulating your strategic intent is the key.

Unfortunately, they don't come neatly packaged in separate mental compartments. Instead, they are linked in people's hearts and minds. Most people can relate to a personal vision, their personal values, and their mission in life, but they often find it difficult to arrive at a consensus on issues concerning mission, values, and vision of the group. It's important to recognize and respect diverse approaches to questions of ultimate purpose in a group. Ideally, the senior management team defines the broad parameters of what business we're in and which direction we're heading. They can prepare a rough vision for input and refinement or leave things wide open for the rest of the organization to fill in. Group members then exchange ideas and make decisions to articulate the vision, mission, and values.

Different ways of defining a group's vision, mission and values may seem foolish or even alarming; but organizations are strongest when many aptitudes, interests, and points-of view can be worked out together. Teams or organizations need a shared vision, not something that only a few people own. Everyone should be a "stakeholder" in spirit.However, often there are conflicts

in perceptions. What organizations describe as personality conflicts", after a little exploration often reveals real differences on issues about governance, finances, purpose and programmer of the organization. For example; Gaurav is a compulsive organizer; he's worried about taking risks, especially financial risks. Gayatri is spontaneous and improvisatory; she's worried that the organization will lose its soul by pinning everything down. Each has collected a little camp of supporters, and every issue that comes up is seen as a challenge to the way they view the organization. This is ammunition in their competition. What looks like a personality conflict" obscures the deeper questions of this competition: what they want to accomplish as an organization, and what measure of risk-taking and improvisation are appropriate to that mission and their values. There are many ways in which the Vision Statement can be prepared. It depends on the nature and type of organization as well as the philosophy and management style of the stop management[9], [10].

The Dorsey Company in 1975: Chattanooga Glass, Sewell Plastics, and Dorsey Trailers. Green Coca-Cola bottles were manufactured by Chattanooga Glass for its Southern market, plastic containers by Sewell Plastics and cargo trailers for bulk shipment by Dorsey Trailers. The majority of Dorsey's business, 60 percent of total revenues, were generated by Chattanooga Glass. Du Pont discovered the beverage business had considerable potential when looking for uses for this novel material. They created a 2-liter PET container and applied for FDA clearance. Du Pont was given FDA permission to utilize PET bottles as beverage containers in 1977.

They collaborated with Cincinnati Milacron, a manufacturer of machine tools, to develop a line for mass-producing PET bottles. The majority of glass businesses have been underutilizing modern plastic bottle technologies as of 1977. Dorsey realized that PET plastic bottles could store carbonated drinks just as effectively as glass bottles while also being lighter than glass bottles. Less breakage and cheaper freight costs would follow from this. Moreover, environmentalists had taken an interest in glass manufacture, and to comply with the newly established pollution laws, significant expenditures were needed.

Charles Sewell saw this as an exceptional opportunity, and with the board's consent, he promptly spent $4 million in new equipment. Sewell was aware of the major businesses he was up against, like Owen-Illinois, Continental, Amoco, etc. He viewed the development of PET beverage bottles as a chance for a smaller business with older technology yet open to technological change to compete with his rivals. He made further purchases of plastic bottles. He invented PET containers for milk and chemicals in addition to using them for drinks. With sales of around $800 million in 1982, Sewell Plastics was the industry leader in beverage bottles.

Glass drinking bottles for larger-sized containers were rendered obsolete by Dorsey's invention of the PET bottle, which also revolutionized the way they were produced. The Dorsey Company decided to use the new PET bottle technology. The invention significantly changed Dorsey's product, method, organization, and competitive position, turning it from a tiny business to a market leader. Let's study "strategy attributes "'s using the expertise of Dorsey Company. If the choices have one or more of the following components, they are regarded to be strategic: The choices affect or are related to the long-term course of an organization. With 60% of its profits coming from Chattanooga Glass, Dorsey Company was essentially controlled by one company.

By contemplating the possibilities given by PET technology, the main focus of its strategy had to switch from its core business.

Since it could benefit both consumers and distributors and carriers by offering less expensive bottles and minimizing breakage losses, etc., Dorsey Company was able to achieve success. Comparably, a strategic advantage may be characterized as offering products or services of greater quality, better value, superior designs, etc. This sort of strategic choice grows out of a 'positioning strategy.' take e ap r e an ap an a The decision may include significant changes to the organization's operations, such as the goods or services it provides, and is likely to be about the scope of the organization's activities.

In terms of the industries it operated in, Dorsey Company had established its purview. Its products included glass bottle manufacturing, bulk goods transportation equipment, and plastic container production. With respect to the kind of products it produced and the production techniques it used, its choice altered the parameters of its operation. Since it affects how management perceives the confines of their operations, the breadth of activities is crucial to strategic choices. Environmentalists now regulated the glass industry, and Dorsey Company needed to make significant expenditures to fulfil the newly developing emission rules. The Dorsey Company understood that continuing in the glass industry would require them to make a substantial investment without seeing a rise in their income. Even to meet the requirements to continue in the same company, the investment would be necessary.

Therefore, the Corporation decided that since they were already producing glass bottles for Coca-Cola for the southern region, they would keep using their current distribution network to deliver a comparable product while still adhering to the evolving legal landscape brought on by the emerging pollution standards. The choice will have a significant impact on finances or other resources, such as personnel or equipment. They faced significant financial and other resource ramifications as a result of their strategic choice to employ the PET bottle invention.

The production of PET bottles and glass were totally different processes, therefore they had to retrain their staff and technical personnel. Strategy must take into account not just how well an organization's current resource capabilities match its prospects, but also how well those resources can be managed or adjusted to take advantage of those opportunities. As an alternative, these materials may be acquired in order to create a plan for the future.

The choice will include enhancing or extending an organization's capabilities and resources. The organization will undergo a substantial degree of change as a consequence, or it will have an impact on either the whole organization or a significant portion of it. Developing new capabilities or pushing current ones inside the company is often necessary for an invention. Moreover, it necessitates the development of new organizational managerial, technical, and physical resources. Management at Dorsey Company was aware of the consequences of the strategic choice that had been made.

Du Pont rose to prominence. Also, customers had to choose whether to switch from glass to PET bottles. The invention was further extended by Dorsey Corporation's decision, which had an influence on the milk and chemical markets in addition to the beverage business. The choice

implies considerable risks for the company the one, with the one, with the one, with the one. With the one.J for., the one. A similar proposal, in the case of the beer business, of bottling beer in plastic containers was not embraced by customers.

For the businesses that had financed the new technology, it led to substantial losses. The gamble that Dorsey Company made paid off; a tiny business became the industry leader. Operational decisions may be impacted by strategic choices. For instance, the Dorsey Company sold off its trailer division and shut down its glass division. The invention necessitated several additional operational choices, such as personnel reductions in other departments, hiring new employees, retraining current employees, etc.

The choice presents questions of complexity and "cross-cutting" relationships and is connected to other significant decision-making topics[11].

The Dorsey Company was changed by the introduction of the PET invention. It developed become the PET bottle market's dominant brand. The company closed down the glass production facility, sold off its trailer manufacturing business, and expanded the southern U.S.A. market for its bottles to include the whole nation. The result produced complicated problems that crossed across Dorsey's ongoing operations. l The strategy of an organization will be influenced by the values and expectations of people in and around the company.

Charles Sewell accepted the board's consent because he regarded this as an exceptional opportunity, although John T. Pollock was the board chairman. As a result of the innovation's commercial success, the organization underwent transformation. Charles Sewell's principles and ideas began to have a bigger impact on the business. John Pollock progressively lost control of the group to Charles Sewell. In contrast to functional challenges, decision-making cannot be defined or solved from a single viewpoint or field of competence. To make strategic choices, the management must bridge functional and operational barriers. Management working in several functional or operational areas often has conflicts of interest and maybe priorities.

This was the case with Dorsey, strategic choices may sometimes need significant organizational and work environment adjustments. Particularly given that the majority of "going firms" choose an operational style that isn't always consistent with their long-term goals. Hence, strategic choices may need significant adjustments, such as a shift in the organization's operating style.

It becomes harder and harder to determine a strategic direction for a business when "change" occurs more often. Growing competition, the effects of globalization, the regulatory environment, customer choices, innovations, and technological advancements make it crucial to continuously evaluate and update strategies because the future is becoming increasingly unpredictable and does not follow any predictable path.

In order to adapt to the demands of a changing external environment, corporations in the twenty-first century need to find a system that is more dynamic and adaptable. In order to determine if the assumptions about the future on which the organization's purpose, objectives, and strategy are built still represent the circumstances the company is facing, strategic thinking is the process of generating or analyzing such assumptions.

Prior to concentrating on how the company will be able to achieve its objective, strategic thinking considers the organization's overall vision. By doing this, it strengthens the organization's capacity to realize its corporate goal. What drives the company forward is its vision. An organization's motivation is its vision. It ought to be relevant with a long term vision so that it can drive individuals even when the company is facing adverse odds in these times of paradigm shift and transition, management can no longer afford to rely only on the accomplishments or methods of the past. Since the future is unpredictable and the world is always evolving, all company plans and strategies ultimately go out of date and the underlying assumptions need to be reevaluated and revised.

As a result, it is not unexpected that strategic thinking is now a crucial component of the business process and a must for the contemporary company. Corporate Strategic Planning In order to think strategically, we must first clearly comprehend the unique characteristics of each component of a scenario. Then we employ all of our mental capacity to rearrange the components in the most beneficial manner. Real-world phenomena and occurrences don't always conform to a linear paradigm. Hence, disassembling a situation into its component pieces and reassembling the parts in the intended pattern is the most accurate way to assess it. This approach is not a sequential one like systems analysis.

Instead, it makes use of the brain, the most advanced nonlinear thinking apparatus. So, the technique used by traditional mechanical systems, which is based on linear thinking, contrasts dramatically with true strategic thinking. Yet, it uses a thorough breakdown or analysis to arrive at its findings. After doing so, take a second look at each group as a whole and consider what pressing problem it presents. Before a meaningful solution can be identified, the problem's root cause must be recognized. The abstraction process should highlight the pressing difficulties without running the danger of missing anything significant. The many phases of the strategic thinking process. Finding the situation's fundamental problem is the first step in strategic thinking. It's crucial to frame the query for issue solving in a manner that will provide a solution right away. At one firm, for instance, overtime has a negative impact on profitability.

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CHAPTER 5

EXPLORING STRATEGIC MANAGEMENT PRACTICE IN INDIA: A COMPARATIVE ANALYSIS OF LOCAL AND MULTINATIONAL COMPANIES

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Strategic management is an important aspect of running any organization, whether it is a business, non-profit or governmental entity. It involves the process of formulating, implementing and evaluating strategies to achieve the objectives of an organization. In India, the practice of strategic management has evolved over the years and has become a crucial aspect of business management. The origins of strategic management can be traced back to the post-independence era in India, when the country was undergoing a major economic transformation. During this time, the Indian government implemented a series of policies aimed at promoting economic growth and development. These policies included the nationalization of key industries, the establishment of public sector undertakings, and the promotion of import substitution through protectionist measures.

However, by the 1980s, the Indian economy was facing a major crisis due to a combination of factors including high inflation, a balance of payments crisis and a stagnant industrial sector. As a result, the government initiated a series of economic reforms in the early 1990s, aimed at liberalizing the economy and promoting private sector growth. These reforms included the dismantling of the License Raj, which had been a system of bureaucratic regulations that had hampered the growth of the private sector.

The liberalization of the Indian economy led to the entry of foreign companies into the Indian market, which in turn created a need for Indian companies to adopt more sophisticated management practices. Strategic management became an important tool for Indian companies to compete with multinational corporations, and many Indian companies started to adopt strategic planning processes in the 1990s. In the early years, strategic management in India was mainly focused on the development of long-term plans and strategies. Indian companies used techniques such as SWOT analysis, Porter's five forces analysis and scenario planning to develop strategies that would enable them to compete in the global market[1], [2].

However, in recent years, the focus of strategic management in India has shifted towards implementation and execution. Many Indian companies have recognized the importance of effective execution of strategies and have started to focus on building a culture of execution within their organizations. This has led to the development of tools and techniques such as Balanced Scorecard, Six Sigma and Lean Management, which are being used by Indian companies to improve their operational performance.

Another significant development in the evolution of strategic management in India has been the increasing emphasis on sustainability and social responsibility. With the growing awareness of the impact of business on the environment and society, many Indian companies have started to adopt sustainable business practices and have integrated social responsibility into their strategic planning processes.

Today, strategic management is an integral part of the business landscape in India. Indian companies, both large and small, use strategic management practices to formulate and execute their strategies. Some of the current practices of strategic management in India include:

1. Formulation of Long-term Plans and Strategies: Indian companies continue to develop long-term plans and strategies using techniques such as SWOT analysis and scenario planning. Many companies also use strategic planning frameworks such as the Balanced Scorecard to develop and communicate their strategies.
2. Implementation and Execution: Many Indian companies have recognized the importance of effective execution of strategies and have started to focus on building a culture of execution within their organizations. This has led to the development of tools and techniques such as Lean Management and Six Sigma, which are being used by Indian companies to improve their operational performance.
3. Innovation and Technology: With the growing importance of innovation and technology in business, many Indian companies have started to focus on building innovation capabilities and leveraging technology to gain a competitive advantage. This has led to the development of innovation centers, incubators and accelerators across India.
4. Sustainability and Social Responsibility: Indian companies are increasingly adopting sustainable business practices and integrating social responsibility

Strategic choice has to consider options about resources, capabilities, and competencies as well as those for markets and products. It may well be, therefore, that the strategic assessment has identified strengths and weaknesses in existing resources and capabilities in comparison with competitors. This may lead to identifying capabilities of the organization.

The time-scales for developing resources and capabilities often determine strategic options. The organizational thinking should be about capability options first and market options second, so that it can build on unique competencies and seek markets and products to demonstrate them. This is generally the basis for setting objectives of the organization[3].

Planning of an organization form a hierarchy on a similar basis as that for strategic choice, discussed earlier. The hierarchy ranges from the broad aim to specific individual objectives. The long-term intentions of the organization provide a focus for setting the objectives. They are expressed qualitatively in the form of 40 Strategic Management a mission statement. The zenith of the hierarchy is the mission of the organization. This produces the Strategic Objectives.

At the second level are the operations of the Strategic Business Units (SBUs) in a diversified organization, or critical processes in a single unit organization. For example, in a single unit

organization manufacturing commercial vehicles, these could be Marketing, Manufacturing, or Quality Control. In a diversified organization, this would imply each major commercially oriented activity of the firm, or each of its units. These are the Business Process Objectives.

At a lower level, that reflects the operations of a department, the objectives are more specific. These are generally the Key Result Areas (KRAs). The objectives are translated further down the line to the individual managers and down to the lowest level of the organization. It may be necessary to sub-divide the objectives into functional work-tasks so accountability can be assigned to a single individual[4], [5].

Objectives must typically be specific, quantifiable, challenging but 'doable,' and tied directly to a reward system. In addition, a method must be established to communicate each level's goals to the next level down (flow down) and also send feedback (roll-up) to the next level up. Much of management literature talks of long-run and short-run objectives. Long-run objectives focus on long term performance and short-run objectives focus on short term performance. Generally, the span of a short-run objective is 1–2 years, while the span of a long-run objective is 3–5 years. Corporate Objectives or Strategic Objectives are normally long-term objectives, but often incorporate short-run objectives. Short-run objectives play a significant part in assessing and determining whether the speed and level of performance being aimed for is being achieved. These also provide a stepping stone towards attaining the long term performance.

All managers need objectives. A very important consideration in setting objectives is to convert the organization into integrated networks. The process should be such that the shared values and identity of the organization is reflected in the process. Corporate Strategic Planning Top down objectives: Objective setting is generally a top-down process. This achieves unity and cohesion throughout the organization. Managers at different levels in the organizational hierarchy are concerned with different kinds of objectives. The Board of Directors and top managers are involved in determining the Vision, the Mission and the Strategic Objectives of the firm. They are also involved in deciding upon the specific overall financial objectives in the Key Result Areas.

The middle management is involved in setting up objectives for the Key Result Areas, objectives at the divisional levels, at the departmental and individual levels. The goals of units and their subordinates are set by lower level managers. Bottom-up approach: Though in most manufacturing and service organizations, the objective are set top-down, there is an argument for a bottom-up approach. This is especially true for knowledge based companies, where the argument is that objective setting should be bottom-up that it should be part of a learning process and not a part of the reward and punishment system[6].

Proponents of the bottom-up approach argue that top management needs to have information from lower levels and this will make objectives more realistic and acceptable. They also argue that subordinates are more likely to be highly motivated by, and committed to goals that they initiate, than to objectives thrust upon them. In spite of the strength of the arguments, the bottom-up approach is highly under-utilized.

Is the top down or the bottom up approach suggested? For example, Wipro Corporation's has been a remarkably successful organization in spite of the fact that its activities are extremely diversified. Its activities span vanaspati, toilet soaps, toiletries, hydraulic cylinders, computer hardware and software, lighting, financial services, medical systems, diagnostic systems, and leather exports.These were Wipro Consumer Products, Wipro Lighting, Wipro Fluid Power, Wipro Financial Services, Wipro InfoTech, Wipro Systems, Wipro GE, and Wipro Biomed. Mr. J. Shankar, corporate treasurer of Wipro, describes the performance of the group in the following words, “historically during the last 54-55 years, our annual growth in profit would be about 23 percent annually. Our market capitalization growth would also be somewhere in the region of 20 percent plus[7], [8].

The annual planning exercise of Wipro is the basis for integrating the different businesses into the operational management process. Each business prepares its own business plans for the year with its key result objectives. The objectives are examined on the basis of six variables. Two of these are chosen by the individual businesses, while the corporate office defines the other four. The variables defined by the corporate office are (i) Speed; (ii) Customer Satisfaction; (iii) Financial Parameters; and (iv) Employee Morale.

The following financial metrics were used to rate Wipro's performance: sales, sales growth, and market share; profit before tax; profit after tax; cash flow; return on average equity; and return on capital employed. "Speed" was measured as the reduction of cycle time; "Customer Satisfaction" as the percentage increase of customers rating Wipro a "4" or a "5" on a scale of 1-5; and "Financials" as the amount of cash flow. Finally, internal growth and attrition rates were rated along with "Employee Morale" on the annual Employee Perception Survey.

The Corporate Executive Council (CEC), which is presided over by Mr. Premix and includes the heads of the various businesses and corporate functional heads, then approves the annual plans of the various businesses. The CEC meets every quarter to comprehensively assess the performance. Strategic Planning the experience of Wipro demonstrates that top-down and bottom-up strategies are not mutually exclusive. Depending on the organizational structure, a mix of "bottom-up" and "top-down" objective setting is frequently the best way to integrate businesses and turn the organization's vision, values, and goals into a workable plan.

Setting objectives is a critical exercise in an organization. Not only does it direct the organization towards its goals but also, it is the basis for the reward system. Therefore, this activity affects almost everyone in the firm. Some care needs to be taken while setting objectives. Some of the issues that need to be kept in mind while setting business objectives have been discussed below:

It's a simple fact of life that once you descend a few levels from the top of an organization, you find that operations and people are much more important than financial and marketing goals. In order to properly attain our aims, we'll need the support of all the individuals in the company. So we should balance our list of objectives. Consider incorporating goals in each of the six areas outlined before. Set goals for routine work as well as one-off items such as training programmed, strengths to exploit, or weaknesses to eliminate. The concept is that to properly achieve any objective, we have to earn the commitment of personnel[9].

We should not set too many objectives. If we do, we'll lose focus. Our daily management won't be able to utilize our aims. The objective lists should be brief. The significance of the goals is that we must inspire and encourage the workers. Employees must be able to recall and maintain awareness of the objectives in order to accomplish this.

There are probably many goals at each level of the hierarchy. Some people think that a manager can handle a limited span of objectives effectively. Too many objectives have a number of problems. They tend to dilute the drive needed for their accomplishment they may unduly highlight minor objectives to the detriment of major ones. There is no agreement to the number of objectives that a manager can handle. However, if there are so many that none receives adequate attention and the execution of the objectives is ineffective, there is a need to be cautious. However, it will be wise to identify the relative importance of each objective, in case the list is not manageable.

It should tell us to do one thing only, not two or more. When there is more than one theme \sin the objective there is a problem in evaluating the performance, both for the management \sas well as for us. If we meet one of the two themes, have we attained our objectives? A lack of clarity can make the objective redundant. Corporate Strategic Planning Multiple themes also create conflict. It is unlikely that the themes will result in the same outcomes. Were this so, there would be no need to have multiple themes. The following is an illustration from Bill Birnbaum's essay "Developing Your Strategic Objectives":

"If we decided to increase sales by 15% next year, we might write an objective that said exactly that. But let's imagine we'd also like to increase net profit by 1%. Couldn't we write one objective that said "do both?" Let's suppose we do. Suppose we write an objective that said, "We will increase sales by 15% next year and, at the same time, improve net profit by 1%." Have we met or failed to meet the goal if, at the end of the year, we had increased sales by 15% but not profits by 1%? We could argue it either way. It is at best vague[10].

What's worse, however, is that the purpose doesn't provide us any direction for running our company. Here's why: Imagine our sales manager rushing in with the "golden opportunity of the month" six months after we write our aim asking for a 15% rise in sales and a 1% increase in net profit. The transaction, he explains, is as follows. "We have a grand opportunity to land a really sizable order.

And if we do, this order ought to be sufficient to propel us forward and provide the 15% increase in sales we're aiming for " "Oh yeah," continues our sales manager. There's some bad news. Since the market is so fiercely competitive, and since our competitors know about this large potential order, we're really going to have to sharpen the pencil to get it. We'll have to reduce our pricing precisely as much as we can."

Therefore, despite the fact that the "golden opportunity" will contribute significantly to the 15% increase in sales volume, it will actually reduce the 1% increase in profit. Should we go after the big order, or not? Notice our objective statement hasn't provided us any guidance in this decision. Why? Because in the same statement, we've bundled together the sales revenue

increase and the profitability increase. The objective leaves us to debate which of the two (sales or profit) is the more important.

Wouldn't it be better to pull the objective statement apart? Then, we have a statement that talks about the rise in sales revenue and another that talks about the rise in profit. And then be sure to do one more thing give a different priority to each of the two potentially conflicting objectives. During our planning sessions, we can argue all we like about whether sales volume or profit is more important. But when our sales manager appears with his "golden chance," we'll know how to react." There are two orientations in describing activities. Based on this, there are two types of objectives that we can develop:

With a result oriented goal, we concentrate on the outcome from the activity of the individual or function. We may need the function to raise its output of particular products, say by 10 per cent. This is a result oriented objective. We might also ask the workers to put in 10 per cent additional hours in manufacturing.

Strategic Planning

Obviously, the first is a stronger statement. It inspires the employees to work harder and seven boost their productivity so as to give the outcome. We should establish results oriented objectives whenever possible. Results-oriented objectives are stronger. Whenever possible, we write our objectives in terms of a result, rather than an activity. Activity oriented goals should be utilized when it is exceedingly difficult to create a results-oriented objective. It should be an exception. "By the end of the year, install the new press on the shop floor. Preventive maintenance must be finished by June 30." These goals are action-oriented. Each is used because no result (other than the completion of the activity) can be measured. However, these types of objectives, i.e., activity oriented objectives, should be an exception rather than a rule.

The goals must be measured. Everyone in the organization has to know how much effort we need to put in to accomplish the objectives and we've got to be able to measure it to figure out whether or not we've succeeded. Some objectives are easy to measure, some are not. Financial objectives are the easiest to quantify. Marketing objectives, e.g., sales volume and market share, are also usually easy enough to turn into numbers if we can agree on a measurement for industry sales.

Quantities like 'customer satisfaction' are more difficult to measure. We can count complaints. We can measure defective product. We can count referrals to new accounts. Or repeat business. Or warranty costs. In the case of a measure of 'customer satisfaction', we assume that it is difficult to measure directly, and so we use proxy variables. Something we believe parallels the issue of customer satisfaction. We quantify our objectives even if we have to "force" our measurement. So when warranty cost gets below 1.5%; or when the reorder ratio goes over 75%; or when referrals to new accounts reach 25% of total billings then we'll believe that customer satisfaction is where we want it to be.

Though it seems some objectives are measurable, on analyzing the measure more carefully, the measure may not be so good. For example, it is normally accepted that market share is a

measurable objective. But is this true? It's difficult to get agreement on the total market size used in calculating market share. And even if we can agree on total market size, there is a lag between the periods when the objectives have to be met and when market data will be available. This lack of timely information means we can't use the market share objective to manage our business on a day-to-day basis.

Perhaps, if market share is important to our organization, it may be better to write our objective in terms of sales volume, after we estimate the total market size. That way, we'll have an objective that can be measured by the people who have to meet the objectives and can be used as a day-to-day tool in managing our business. Can you state which goals are based on assumptions such as performance of the economy, market, industry trends and identity these factors? Remember, the greater the number of assumptions, the weaker the position of the objectives.

If at all possible, specify ways of measuring the success of each of the objectives (also known as 'metrics'). These allow the success of the project to be assessed. With metrics still an area of ongoing research, we will need to spend some time to determine the best measures to use. In order for metrics to be effective, measure them before the project starts. This provides a baseline, and gives something to compare against[11].

Corporate Strategic Planning Long term objectives that have only long-run objectives prompt action now that will permit reaching long range performance later. These types of objectives are sometimes difficult to assess as we have to weigh the impact of today's decision on future performance. Unfortunately, in the dynamic business environment of today, a large number of Corporate Objectives have this characteristic.

Objectives are never linear. When one objective is accomplished, it is not neatly followed by another, and so on. Objectives form an interlocking network. One objective is very often dependent on another. The implementation of one may impact the implementation of the other. It's one thing to write down an objective and say "Yes, that's fine. I think uscan do it? Let's commit to it." Then move on to the next one and do it again and again. There is the aspect of 'fitting'. When we have a lot of goals we should take a long, hard look at them. And ask, "Can we do this whole bunch of objectives all at the same time?" Very often, an examination like that will indicate the type of problems we may face, as typified below: "Assume we have a situation where the manufacturing department has to cut the cost of the product by say 5 per cent. It can do so by taking long production runs. The marketing department, in order to meet its objectives desires to have all the products in the line readily available for dispatch. The finance department has the objective of maintaining investment in inventories at a certain low level.

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CHAPTER 6

FAMILY MATTERS: UNDERSTANDING THE DYNAMICS AND CHALLENGES OF FAMILY-RUN CORPORATES IN TODAY'S BUSINESS ENVIRONMENT

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Family-run corporations are businesses that are owned and operated by a family or a group of families. These types of businesses are prevalent in many parts of the world, and they have unique characteristics that distinguish them from other types of businesses. In this Paper, we will discuss the history of family-run corporations, their characteristics, and their advantages and disadvantages. We will also examine some of the challenges that family-run corporations face and provide some recommendations for managing them.Family-run corporations have been around for centuries. In medieval times, families would operate their businesses, and the businesses would be passed down from generation to generation. During the industrial revolution, family-run corporations became more common as families sought to establish themselves in new industries.

In the United States, family-run corporations played a significant role in the development of the country. Many of the largest companies in the US, including Ford, Walmart, and Berkshire Hathaway, were founded by families and are still run by families today. In fact, family-run corporations account for a significant portion of the US economy. According to a study by the Harvard Business Review, family-run corporations account for 80% of all businesses in North America[1], [2]. Family-run corporations have several characteristics that distinguish them from other types of businesses. Some of these characteristics include:

1. **Ownership and Control:** The family owns and controls the business, and family members often hold key positions in the company. This can make decision-making processes more efficient, but it can also lead to conflicts of interest and nepotism.
2. **Long-Term Orientation:** Family-run corporations often have a long-term orientation, as they are focused on building a legacy for future generations. This can lead to a focus on sustainability and a reluctance to take on too much debt or risk.
3. **Informal Management Style:** Family-run corporations often have an informal management style, as family members are familiar with each other and have a shared history. This can lead to a lack of professionalism and a resistance to change.
4. **Strong Corporate Culture:** Family-run corporations often have a strong corporate culture, as family members share common values and beliefs. This can create a sense of loyalty and commitment among employees, but it can also lead to a resistance to change and a lack of diversity.

Family-run corporations have several advantages over other types of businesses. Some of these advantages include:

1. **Strong Corporate Culture:** Family-run corporations often have a strong corporate culture, as family members share common values and beliefs. This can create a sense of loyalty and commitment among employees, leading to a more stable workforce.
2. **Long-Term Orientation:** Family-run corporations often have a long-term orientation, which can lead to a focus on sustainability and a reluctance to take on too much debt or risk. This can make the company more resilient during economic downturns.
3. **Greater Flexibility:** Family-run corporations often have greater flexibility in decision-making, as family members are often involved in key decision-making processes. This can lead to more efficient decision-making and a quicker response to changing market conditions.
4. **Lower Turnover:** Family-run corporations often have lower turnover rates than other types of businesses, as family members are often committed to the long-term success of the company. This can lead to a more stable and experienced workforce.

Family-run corporations also have several disadvantages. Some of these disadvantages include:

1. **Conflicts of Interest:** Family members may have conflicts of interest, as they may prioritize their personal interests over the interests of the company. This can lead to nepotism and a lack of accountability.
2. **Lack of Professionalism:** Family-run corporations may lack professionalism, as family members may not have the same levelof education or experience as non-family members who could potentially fill key roles in the company. This can lead to a lack of innovation and a resistance to change.
3. **Resistance to Change:** Family-run corporations may be resistant to change, as family members may be attached to traditional ways of doing things. This can lead to a lack of innovation and a failure to adapt to changing market conditions.
4. **Limited Pool of Talent:** Family-run corporations may have a limited pool of talent, as they may only consider family members for key positions. This can lead to a lack of diversity and a failure to attract top talent.

Family-run corporations face several challenges that can impact their long-term success. Some of these challenges include:

1. **Succession Planning:** Family-run corporations must plan for succession, as the business will eventually need to be passed down to the next generation. This can be a complex process, as it requires identifying the right person to take over the business and preparing them for the role.
2. **Professionalization:** Family-run corporations must professionalize their management practices, as they may lack the expertise to effectively manage the business. This can

include hiring non-family members to fill key roles and implementing best practices in areas such as finance, marketing, and operations.

3. **Governance:** Family-run corporations must establish strong governance structures, as they may lack the checks and balances that are present in publicly traded companies. This can include establishing a board of directors and implementing policies and procedures to ensure accountability and transparency.
4. **Managing Family Dynamics:** Family-run corporations must manage family dynamics, as conflicts among family members can impact the business. This can include establishing clear roles and responsibilities and implementing a process for resolving conflicts[3], [4].

To effectively manage a family-run corporation, there are several recommendations that should be considered:

1. **Develop a Succession Plan:** Family-run corporations should develop a succession plan that identifies potential successors and outlines a plan for their development.
2. **Professionalize Management Practices:** Family-run corporations should professionalize their management practices by hiring non-family members to fill key roles and implementing best practices in areas such as finance, marketing, and operations.
3. **Establish Strong Governance Structures:** Family-run corporations should establish strong governance structures, such as a board of directors, to ensure accountability and transparency.
4. **Manage Family Dynamics:** Family-run corporations should manage family dynamics by establishing clear roles and responsibilities and implementing a process for resolving conflicts.
5. **Foster a Culture of Innovation:** Family-run corporations should foster a culture of innovation by encouraging new ideas and investing in research and development.

We wrote a set of objectives calling for growth in the sales volume, and reduction in the cost of manufacture, at the same time. But the two are conflicting objectives. Because reduction in cost requires high productivity and sales growth requires that it should be able to ship the products promptly to the customers so that they do not go to other sources. The solution could have been an increase in inventory. But this is in conflict with the objectives of the finance department, who have to ensure that inventories are maintained at a low level. “Look at our objectives all together to make sure they're in concert. If they are not, make a choice and eliminate or modify one or the other. There is another component to this too[5].

Make sure objectives not only fit but also reinforce each other. The requirement is that everyone on your planning team should believe that we can accomplish all the objectives we have put down, at the same time. There was a lot of literature that came out in the nineteen sixties on 'Achievement Motivation'. Atkinson, the major proponent of this idea, stated that if a job was too simple or too complex, it was likely that the individual would fail to complete it effectively since

their incentive to achieve was based on whether they believed they had a good chance of succeeding or failing. He employed skilled marksmen and provided them with an incredibly simple target range to shoot at in order to demonstrate his hypothesis. He found that the marksmen did not perform as well as they should have - according to him this was a result of poor motivation[6], [7].

The objective should be challenging but, at the same time, attainable. In other words, anobjective should be feasible. People in your organization should understand that accomplishment of the objective requires effort and given that effort, they should expect they can accomplish the objective. According to the strategic imperatives of modern global business, India should concentrate on the possibilities and difficulties related to fostering innovation in a world that is flattening out. Indian businesses, both local and abroad, are reshaping global industries via innovations in product, process and business paradigms. An important transition towards a more inclusive kind of capitalism is being heralded by the appearance of technologies that are aimed at the base of the pyramid.

India presents a variety of possibilities and challenges to strategic thinkers, business executives, and decision-makers throughout the globe as it emerges on the global arena as a fast modernizing and progressive country. The challenge for Indian businesses is to create platforms for innovation and expansion that will support their quick ascent onto the global scene as "rising multinationals." The emergence of India both possibilities and fundamental difficulties for Western businesses. Although having access to a market of one billion potential consumers has significant unrealized potential, India's very particular environment and the competition from resurgent and ambitious Local businesses provide learning obstacles. A series of fascinating questions are raised from this platform:

How can Indian businesses priorities innovation in their corporate culture and business strategy? How can people use their entrepreneurial talents to create firms of the highest caliber? What is ahead for India as it continues to ingratiate itself into the global economy? How are India's top banks, pharmacies, merchants, and other service providers transforming the nation into an innovation hub? How can India Inc. support the nation's infrastructure and relatively underdeveloped innovation eco-system?

How can Indian enterprises manage their expansion abroad and bring in Western companies? How can Indian businesses innovate to meet the demands of rivals like China and other growing markets? Similarly, how can Western corporations adapt to compete in the new world? How can companies scale up the disruptive technologies that are emerging at the base of the pyramid and introduce them into their current markets? How can people change themselves to become active members of the new era? What are the possibilities for developing fresh strategic management insights by concentrating on the company operations in developing markets like India, more generally speaking?

International companies have been closely watching India. Maybe they wish to serve the Indian market, import goods from India, or contract out commercial operations here. The nation boasts a reservoir of highly trained workers who are proficient in English. This, along with cutting-edge

communication infrastructure, makes it a popular location for business process outsourcing to other countries. Also, the nation has an edge in the low-cost manufacture of engineered items because to its talented workforce. On the other hand, India is a complicated market with several economic strata, unequal regional economic development, constantly changing governmental policies, a wide range of cultural traditions, geographically scattered marketplaces, and a sizable, low-cost unorganized distribution system[8], [9].

Hence, before product portfolios and investment phases are established for the Indian market, it is crucial to grasp these diversities. For a corporation to succeed in India, decisions about partners, acquisition targets, and production sites might be crucial.

We create a thorough strategy for entering India along the lines of phasing plans for investments, markets, and consumer access. Finding the best supplier for a product is difficult due to the fragmentation of production capacity and regional diversity. We help businesses discover the goods that might benefit from being produced in India. Moreover, we find and vet qualified suppliers that have the right technology for manufacturing at the targeted price points, the financial wherewithal to maintain supply, and the reputation for doing business honestly. We also help with location studies, due diligence, and the discovery of strategic alliance partners and acquisition opportunities.

Finding a reputable vendor is crucial when outsourcing activities since there are many third-party BPOs that have sprung up in various geographic centers and specialize in various industry verticals and business processes. By analyzing their importance to the company and expenses, we help our customers identify the procedures to outsource. The procedures might be either outsourced to a reliable vendor or outsourced to an Indian subsidiary. In the event of out-location, we help the customer establish up a subsidiary in India. In the latter scenario, we assist clients in finding the best Indian suppliers. We also trace the processes' transfer to India. To control the procedure in the Indian outfit, we may also operate a programmed management office[10].

Our India entrance practice has helped a number of multinational enterprises, including several Fortune 500 companies, investigate and/or establish operations in the Indian subcontinent in industries as varied as media, retail, telecom, and auto components. Understanding disruptive breakthroughs that can change the game. How do Indian businesses, which are emerging as new multinationals, address the innovation challenge? Do Indian businesses take a different approach to the innovation problem than their Western counterparts?

Globalization of Indian Companies: Opportunities and Problems Keeping up with the pace of globalization and keeping a close eye on what is novel and unique about these Indian enterprises' internationalization efforts are two additional key goals of strategic management in India. How can they get over the disadvantage of being foreign? What difficulties do Indian businesses face when they expand internationally?What can be inferred from the triumphs and difficulties of multinational companies that have opened up new markets in India as yet another goal of strategic management in India? What distinguishes the competition from businesses situated in

India? What kind of results have global companies gotten from establishing R&D facilities in India? What kind of R&D mandate does the Indian subsidiary have?

Other organizations, like as Essay and the Jindal's, have already invested one to two years in these initiatives and have either appointed important group executives to lead the projects or hired top management consultants to lead them. Some organizations, like the RPG group in Kolkata, are in the process of shortlisting experts to assist them in developing a plan for the new business.

"Due to the size and diversity of our organization, it makes logical to create a separate business to manage all IT-related tasks. The necessity for a consolidated entity for these services is essential, especially given our recent overseas expansion "said Essay Group Director Prashant Ruiz. The same pattern is what we are doing "said Ernst & Young partner Milan Sheath. According to him, having a single organization manage all the IT and support operations also makes integration simpler when these huge family-run enterprises expand internationally via acquisitions. "In future, these firms may be listed or valued as a commercial company," he noted.

The majority of the promoters ET talked with said that the aim was to operate the businesses as shared service centers, establishments that serve to consumers even outside the group fold, making it simpler to monetize them. Building economies of scale and increasing efficiency across the group enterprises, however, is the immediate motivator. One is that all of the group firms are still serviced by the company. The other is that they sell the idea and take on third-party work. Sell it out ultimately to a specialized provider, as was done in the Philips-Infosys BPO transaction, is the third option "said Vikas Jain, director of engagements at Everest Group[11].

To develop the unified IT and BPO strategy, the Essay company engaged Vijay Mehta, a former McKinsey executive with worldwide expertise, and appointed him group CIO. A 160-page vision paper that outlined the roadmap for the delivery of IT solutions throughout the business and for procedures like payroll, human resources, accounting, and procurement was one of Mr. Mehra's first assignments. Presently, Essar Information Technology Holdings (EITL) is being established to cover all the common IT requirements of the business and certain activities such as payroll are being handled by its BPO, Aegis BPO. "It will be supported by three pillars: BPO, IT applications, and data centres. We will first handle the six Essar businesses under separate holding entities before adding external customers later on "Mr. Mehra stated.

Similar to this, PSI Data Systems, a member of the Aditya Birla group, is now being repositioned to meet the IT needs of all group firms. In a recent interview with ET, company Chairman Kumar Mangalam Birla said, "It would be more inward facing today. This emphasis is also reflected in Dev Bhattacharya's appointment as group executive president, IT & ITES, said representatives of the Birla group. Dev is a major figure in the firm's think tank. The JSW group is consolidating its shared IT operations under the aegis of a brand-new company called JSoft Solutions.

"Shared services will be used to conduct the common tasks of accounting, payroll, procurement, human resources, and more. We will also expand the activity beyond the group in next six months "said MVS Seshagiri Rao, director of finance for JSW Group. Similar to the RPG group,

others are in the process of narrowing down their list of consultants to help them with this procedure. There was a period when the patriarch and his wife's values served as the only guiding principles of family-run businesses. Those who bought stock in a firm back then were often businesspeople from the same neighborhood as the promoter, so they implicitly trusted the family management. The patriarch's sons, sons-in-law, and nephews were trained to carry on the company, perhaps instilling the same set of values in them, but there were no institutional standards of governance or written rules of behavior.

While it is a lovely structure in principle and is based on the goodness of family values, history reveals that relatively few people have really been able to implement it. MV Subbiah is one of the select few who has avoided a contentious family split, while being open about the conflicts that arise when the concepts of family and business are combined. The chairman of SRF, Arun Bharat Ram, comes from a well-known corporate family that split notably in the late 1980s. He thinks that since then, attitudes have evolved and business families now actively work to align their members' objectives with what's best for the firm. He claims that family enterprises have changed. They understand that what is beneficial to the common shareholders is also beneficial to them. India Inc.'s fortunes are directly tied to how family enterprises behave themselves, with family shareholdings topping 50% in 42% of the firms listed on the Bombay Stock Exchange. Then there are the brand-new family enterprises that are now emerging within the present period of fast expansion. While many of them are small and medium-sized businesses (SME) and are not currently on the list, they will ultimately set the pace and it has been for some time, and, and, of the internet, and the libraryand the global community. They are doing it voluntarily, he claims, by implementing excellent corporate governance standards. They are aware that raising the value of their businesses is the greatest method to grow their wealth.

Not everyone is persuaded. The CEO of Lotus India Asset Management, Ajay Bagga, claims that family managements continue to be haughty and gives many instances of families who have benefited at the cost of ordinary shareholders during the CII Summit. Some combine their group firms in a manner that the swap ratio advantages the company with the bigger promoter stake, while others provide themselves priority allotments at discounted rates prior to an IPO. Everyone is earning 40% returns on the market, he claims, therefore it is kept quiet. "Shareholder activism does not yet present in India, but there may be problems if the returns decline."

What actions must family-owned companies do to establish a reputation for sound corporate governance? In a recent discussion paper titled Corporate Governance: Value for whom and how, Ernst &Young and the CII make the recommendations that they implement a succession planning mechanism, appoint independent directors who are not too close to the family, and give them the authority to assist in resolving conflicts of interest between the business and the family.

Strategic Planning by Farokh Balsara "A significant portion of Indian businesses are run by families, and the quality of their corporate governance will decide whether or not investors are willing to pay a premium for those investments. For example, at Tata group enterprises, corporate governance has brought enormous value to the brand." “Planning for succession is one of the most delicate topics in family-run businesses. There has to be room for future generations of the family since Indian corporates are still far from the American model of separating

ownership from management. Promoters attempt to address this issue by making sure their children have exceptional academic records, which is often followed by a period of service in another firm where they might gain experience. Is the family member the best choice to take leadership, however, is still an unanswered issue. Or should experts from both within and outside the company be taken into account?

It's a tough decision, concedes Rama Bijapurkar, an independent director on the boards of Infosys, Godrej Consumer Products, and Mahindra Resorts among others: "With our Indian culture, can you really challenge it if a well-educated new family member is hired and controls 60% of the business? More worse are the conflicts between siblings that arise in the second generation, when independent directors are often asked to intervene.

Such rivalries, according to MV Subbiah of the Murugappa group, are often inevitable and must be controlled. He shared the following helpful counsel with family company patriarchs at the CII Summit: "Create hospitals, schools, and involve your family in charitable activities. It is a good idea to have a back-up plan in place in case the main plan should fail.

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CHAPTER 7

COMPETITIVE AND ENVIRONMENT ANALYSIS - TO IDENTIFY OPPORTUNITIES AND THREAT

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In today's rapidly changing business environment, it has become essential for companies to analyze their competitive landscape and the environment they operate in. This analysis is critical to identify opportunities and threats that can impact their business performance. By conducting a competitive and environmental analysis, companies can understand the key drivers of success in their industry and develop effective strategies to outperform their competitors. In this Paper, we will discuss the steps involved in conducting a competitive and environmental analysis and the tools and techniques used to identify opportunities and threats.

The first step in conducting a competitive and environmental analysis is to define the industry and market that the company operates in. It is important to understand the key characteristics of the industry, including the size, growth rate, and major players. This information can be obtained from industry reports, government statistics, and other sources. The next step is to identify the key competitors in the industry. This can be done by conducting a competitor analysis, which involves gathering information about competitors' strengths and weaknesses, market share, pricing strategies, marketing activities, and other relevant information. This information can be obtained from public sources, such as company websites, financial reports, and news Papers, as well as through primary research, such as surveys and interviews[1], [2].

Once the key competitors have been identified, it is important to analyze their strategies. This involves understanding their competitive positioning, target market, value proposition, and other key elements of their strategy. This information can be used to identify opportunities and threats, as well as to develop a strategy that is competitive and differentiated. In addition to analyzing competitors, it is important to analyze industry and market trends. This involves gathering information about macroeconomic trends, technological developments, regulatory changes, and other factors that can impact the industry. This information can be obtained from industry reports, government statistics, and other sources.

The next step is to conduct a SWOT analysis, which involves identifying the company's strengths, weaknesses, opportunities, and threats. This analysis can be done by reviewing internal documents, such as financial reports and marketing plans, as well as through primary research, such as surveys and interviews. The SWOT analysis can be used to develop a strategy that leverages the company's strengths, addresses its weaknesses, takes advantage of opportunities, and mitigates threats.

Another tool that can be used to analyze the competitive landscape is Porter's Five Forces framework. This framework involves analyzing the bargaining power of buyers, the bargaining

power of suppliers, the threat of new entrants, the threat of substitute products or services, and the intensity of competitive rivalry. This analysis can help companies understand the dynamics of their industry and develop effective strategies to compete[3].

Finally, companies can use PESTEL analysis to analyze the macro-environmental factors that can impact their business. This analysis involves looking at political, economic, sociocultural, technological, environmental, and legal factors that can impact the industry. By understanding these factors, companies can develop strategies that take into account the external environment and mitigate any potential risks.

Tata Industries, which was established in 1868, is a prime example of a family-run corporation in India that has earned a reputation for generosity in addition to commercial success. With over 80 firms working in seven industries, the company is one of the biggest in India today and finances several charity Trusts that are engaged in a wide variety of community development projects. The Tata Council for Community Initiatives, a network of over 30 Tata firms tasked with coordinating initiatives spanning 200,000 people and approximately 100 sites, is led by Anant Nadkarni as general manager of Group CSR. He speaks admirably of the initiatives carried out by TCCI, such as the Functional Adult Literacy Project, which seeks to significantly advance the battle against illiteracy in India.

Tata does seem to be an example of unadulterated corporate giving. According to Ratan Tata, the chairman of Tata Sons, "We are not doing this for publicity or propaganda. We do it because it makes us feel good to know that we have made a significant contribution to the community where we operate " Because of terrible disparity, the tendency of Indian families to remain entrenched in their communities, and the fact that strong schools and hospitals generate educated and healthy workers, the Indian philanthropy legacy of Tata and hundreds of other family enterprises has developed[4], [5].

It is challenging for foreign multinational corporations operating in India to coexist with this heritage. Their intentions are often questioned even though the majority has made an effort to interact with local communities in a socially and ecologically responsible manner. "Multinationals often lack firsthand understanding of the local market and therefore define their activities in terms of'making commercial sense,'" observes Nadkarni. "Too often, a sincere attempt to include business sustainability is misinterpreted, leading to suspicion." So, Unilever and Monsanto have both been accused of using a lot of child labour in their Indian cottonseed operations, and Coca-Cola has been accused of polluting the water in Kerala. Western multinational corporations have generally struggled to communicate western ideas of what it means to be a socially responsible corporate entity.

Yet, the deregulation of the Indian economy that happened during the 1990s has led to an increasing interest in European and North American corporate concepts. Ballarpur Industries, a classic paper producer, has a new and creative MD in Guatam Thapar (BILT). Yashshree Gurjar, his CR manager, explains how new policies have changed over the last three years: "Our firm is starting to see that the community is only one of many stakeholders, therefore we are creating rules with respect to organizations like our suppliers, workers, and the environment. Also, we are

moving away from ideas of charity and seeking to empower individuals to manage their own lives “The business released its first CR report in 2002. An employee-volunteering initiative called "BILT Cares" aims to engage every employee in the topic of social responsibility. BILT is demonstrating that it is feasible to effectively integrate CR into a conventional Indian enterprise.

BILT confronts several challenges, not least its own government. Gurjar claims that the Indian government regards CR projects as unwanted competition: The issue of government welfare programmed failing to benefit the most vulnerable members of society has long existed in Nigeria. Businesses, particularly those in distant locations, might be crucial in making the programmed run well. Government, on the other hand, is hesitant to get into productive collaborations since it tends to think that business is assuming its function.

Many Indian businesses want more governance than less. India's severe corruption problem is still a major concern, and Infosys, a major technology company, has decided to start by addressing it. "You must first do business lawfully if you want to be a responsible organization. You must abide by local regulations and pay your taxes on time "Infosys COO Senepathy Gopalakrishnan makes this claim. The Infosys Foundation gets 1% of the firm's net earnings, or around $1 million every quarter, to put towards healthcare and education, although the corporate governance practices at the company have garnered the majority of positive attention. It has received several accolades from throughout the world, including first place in CG Watch, a study of corporate governance practices at businesses in developing economies[6], [7].

Businesses like BILT and Infosys are still very rare. Even while there is a transition from charity to corporate responsibility, two elements are working together to impede that development. First off, there is no pressure on Indian businesses to expand beyond following the custom of philanthropic giving from NGOs, the government, and customers. According to Bimal Arora, director of Partners in Change, a group that supports the contribution of business to Indian development, lack of knowledge is impeding progress on the problem: "Contrary to North America and Europe, the majority of customers are unaware of corporate responsibility.

The second, and maybe more important, point is that India still needs help with philanthropic contributions and community building. Despite the fact that India's GDP has risen by around 6% annually since 1990, 25% of the country's people still live in poverty, 45% are uneducated, and many don't have access to even the most basic health and sanitation services. While businesses in developed nations must take into account more general concerns like supplier relations, employee satisfaction, environmental impact, and corporate governance, for many Indian businesses, these concerns would serve as mere diversion from the crucial work of community development and charitable giving.

The Commonwealth Business Council's director general, Mohan Kaul, highlights the significance of this work: "Goals for development are unlikely to be accomplished without some involvement from business. This entails continuing to provide funding for healthcare and education, as many corporations do to their great credit already. Without these charity endeavors, many areas of India would be in grave danger, and this is not an exaggeration” Foreign multinational corporations operating in India may eventually need to understand that, although

larger social responsibility problems are significant in the developed world, successful businesses in the underdeveloped world are still expected to participate in traditional philanthropy. Multi-stakeholder collaborations will be increasingly significant in the future. Yet, Jamsetji Tata's focus on community development will continue to be pertinent now as it was more than a century ago.Making a straightforward comparison of how our product compares to what the market needs and what the best of our rivals have to offer is a useful tool for strategic analysis. The step-by-step procedure offers a potent means of creating a common understanding of the strategic difficulties confronting the organization and is ideally adapted to group debate[8].

Finding the market demands for the performance of the product under consideration is the first stage. Here, the idea of "order qualifiers" and "order winners" is useful. In order to do this, it is necessary to identify the elements that must exist in order for each product category to stay competitive (such as pricing, quality, etc.) as well as those that must be present in order to attract clients (such as degrees of customization, design, delivery, etc.).

Further data may be offered via market research mapping methodologies, based on customer answers, to help the group arrive at their viewpoint. Innovative methods have been created, such as "perceptual mapping" and "joint space analysis," to help the company comprehend the market and the competition it confronts. They are also used to rate the significance of certain traits. To find out what brands customers buy, why they buy them, what they are seeking for, and how they might be defined in enduring qualities or psychographic factors, a fundamental study of consumers is conducted.

People often use perceptual mapping to illustrate their beliefs about certain items. The spatial perception of how people view the different brands is produced by all perceptual mapping techniques. Brands that are considered to be similar are placed near together in a perceptual space, whereas brands that are thought to be distinct are placed further away. To demonstrate the method, we used the example of the brewing sector. In the map, the brands are shown as points. The map has two dimensions: "Premium - Budget" is written on the horizontal axis, and "Heavy - Light" is written on the vertical axis. The distance between the points is inversely correlated with how similar the brands are to one another[9].

A brand's position on each axis reveals whether consumers think it is more of a premium or inexpensive beer and if it is seen to be heavier or lighter than average. For instance, Old Milwaukee Light and Miller Lite are seen as being more similar to one another than they are to Budweiser. Old Milwaukee Light is a less expensive beer, whereas Miller Lite is a premium beer. Figure 3.2 depicts a typical map. The group then seeks to provide a solution to the question, "What degree of performance does the market expect on each of these criteria," after discussing and analysing the data that have been gathered. Score each key feature that has been shortlisted using a scale of 1 to 10, where 1 is not important and 10 is highly important. Creating a map of what the market needs is essentially what this step entails.

Sometimes a greater number of qualities need to be looked at. In this instance, the same procedure is repeated with a new set of perceptual map qualities. The next step is to examine how our product satisfies these requirements. In the case of our own product, we rank the

variables. Also, we would want to find the market's top rival and do a comparable study of his offering. There may be a variety of distinct product/market pairings with greatly varying strategic features for all but the smallest organization. Although one company may produce a somewhat standard product and compete on pricing in the market, another company might produce to client requirements and compete on quick delivery, excellent quality, and the ability to as closely match customer wants as feasible. The options that most closely fit our market profile must be chosen[10].

The Perceptual map serves as the Joint Space Analysis's starting point. Joint Spaces are created from Perceptual Maps by adding an estimate of the possibility that a customer will make a purchase there. This is achieved by using ideal points or preference vectors. Ideal points have been chosen in Figure 3.4. Any alternative measuring criterion might have been used in lieu of the ideal points. An ideal point in this context denotes the consumer's desired arrangement of the space-defining characteristics.

Consumers are presumptively more likely to choose companies that are situated near to their ideal locations than those that are further away. A heavier, reasonably quality beer is deemed to be optimal by the participants in the first phase. They should prefer Budweiser or Beck's, one would think. The second group prefers a light, moderately expensive beer like Miller Lite or Coors Light. It provides a consumer's mental rating of the different brands. As a result, Budweiser is the favored brand in the heavy premium category, Miller Lite in the light premium category, and Old Milwaukee Light in the light budget category. The comparative rating of the different brands in each sector is also provided by the joint space analysis. This gives insight into the items, how the market is seen, and how the business operates. The exercise should provide a clear image of the necessary direction adjustments as well as the range of potential solutions that the organization should take into consideration.

Reviewing the internal capacity of the company to satisfy the performance objectives of the market demand is helpful at this point, utilizing the data from the joint space analysis and the group consensus. This might be an evaluation of the advantages and disadvantages of various components in the process or product. We have an issue if the rival is more adept at satisfying market needs. Either we narrow the gap or we come up with another way to lessen the benefit of competition. Investigate the variety of innovations that could result in improvements in the areas that have been highlighted. We could even push the concept a bit and pose queries such, "How much advantage would I receive if I had a process that was faster/higher quality/etc.?" and "What would it be like if I had a product that met or surpassed market expectations"?

Also, we would go through the available possibilities and make decisions based on a certain set of criteria. Creating a straightforward picture of how goods and processes compare to market demands and rival offerings is known as competitive profiling. It gives the company a focus, finds order winners, and details what the market needs in an order winner. Moreover, it assesses our internal performance and compares our offering to the leading rival. It explains what must be done in order to compete. It serves as a check list and a discussion board for our product and procedure.

Like many tools of this kind, its fundamental goal is to assist organizations "look before they leap" by concentrating thought and conversation. As a result, we do not necessarily need to employ market research data for brainstorming; we may also do without it. The definition of "industry" does not necessarily identify our competitors, which might be an issue with the examination of competition. Several businesses in a given industry have various interests and modes of rivalry. Some may directly compete with us, while others might not. Identification of groups within an industry that share strategic traits, use similar tactics, or compete on grounds that are comparable is the goal of strategic group analysis. Using two or three sets of crucial traits that set the firms apart will help you recognize these groups.

The foundation for judging the applicability of the qualities is crucial. The industry's history and evolution, the organization's plans, the identification of the forces at play in the environment, etc. may all be used to identify our immediate rivals. The goal is to identify the factors that distinguish and give the groups sense. Such categories may be visually represented using mapping methods, or they can be displayed on a matrix. A variety of research approaches may be utilized to gather data and analyses it in light of the needs of the company.

It aids in determining the most direct rivals and the grounds for competitive rivalry to occur within strategic groupings such an examination also highlights some key strategic issues. It stands for the firm's environment of competition. This analysis' major goal is to provide the topic of strategy a framework for discussion and debate. It is an effective and user-friendly analytical tool. The range of impacts will be so large at a general level that it will diminish the usefulness of the study. At the level of the Strategic Business Unit, this concept has shown to be quite successful (SBU). The product or unit being analyzed should be chosen such that the five forces do not vary significantly from one another. For the model to be most successful, the unit or product group should be split down into a more congruent arrangement if there is a significant discrepancy.

Others have argued that its linear form results from the reduction of complicated interactions. In response, Porter made the model more sophisticated, which is beyond the purview of this debate. The "Five Forces Model" may, nevertheless, be quite beneficial in the majority of situations even in its most basic version. This model takes into account the following five forces. New competitors bring new capabilities, the ambition to increase their market share, and sometimes considerable resources.

Economies of scale may act as entry barriers, forcing a new participant to enter on a big scale or accept a competitive cost disadvantage. There may be cost disadvantages for new entrants when there is an existing operator who is familiar with the market and has strong ties to suppliers and customers. The manufacture of fast-moving consumer products or electrical components are two examples of industries where economies of scale are applicable. Large financial resources being needed might also discourage competitors from joining the sector. This may be the case in sectors like mining, electricity, or chemicals[11].

Brand recognition might come at a very high entrance cost in terms of advertising and marketing. Established businesses may have pricing advantages that are unavailable to future rivals. These

benefits may result from exclusive technology, cheaper asset costs, learning curve impacts, etc. Setting up a new distribution network to compete with the established companies may not be particularly cost-effective. Governmental constraints on licensing requirements may sometimes exist. Any of these elements may serve as obstacles to entering the industry.

By increasing pricing or changing the quality of their products and services, suppliers may influence the terms of a contract in a certain sector. Strong supplier groupings may put pressure on a company's or sector's profitability. When the supplier group is big and controlled by a few big businesses, like a big steel manufacturer selling to a small metal fabricator, the supplier group is powerful. In this situation, the client company is in a precarious position and will rely heavily on the steel manufacturer to compete. For instance, the company would be forced to bear the expense if the supplier chose to increase prices. The supplier is strong when its product is distinctive or differentiating, when there is little rivalry, when it can advance within the industry, or when the industry is not a significant client.

An important result of supplier analysis is the ability to devise tactics that might boost organizational strength or establish a condition of mutual interest. When the Indian government established the "Directorate General of Supply and Disposals (DGS&D)" in the early 1950s, this was an example of how to increase the organization's influence. Consolidating the purchasing power of Government purchases was one of this organization's goals in order to increase the Government's bargaining leverage.

By negotiating cheaper pricing, pitting rival businesses against one another, or demanding better quality, service, and design, customers may make the business less profitable. If a buyer makes significant purchases, their negotiating power is increased; switching costs are low; the consumer has access to lower-cost replacement items; and the price, quality, and brand identification of the product are not crucial factors in the choice to buy. If the buyer decides to integrate backwards to create the industry's product, the industry will be in danger. The purchasers may have a significant impact on the market for the goods, depending on the configuration of circumstances.

Here too, the organization may devise plans to strengthen its influence, create a scenario of shared interest, or forge relationships that will be advantageous to both parties. By limiting the prices a sector can charge, substitute items restrict its potential. The limits of the industry to increase profitability are larger the more appealing the price-performance trade-off presented by such items. Potential risks include substitute goods with the ability to improve the industry's price-performance trade-off. For example, a new technology might simultaneously open the doors to replacements and lessen entrance barriers to other players. A company is in a strong position if it has a product that cannot be readily replaced, either because it is unique or because it is covered by some kind of protection (such as a patent).

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CHAPTER 8

ASSESSING INTERNAL ENVIRONMENT THROUGH FUNCTIONAL APPROACH AND VALUE CHAIN

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Assessing the internal environment of an organization is crucial for the success of any business. A functional approach and a value chain analysis are two frameworks that can help evaluate the internal environment of a company. The functional approach is an approach used to assess the internal environment of a company based on the different functional areas that are present in the organization. These functional areas are typically divided into several departments, such as marketing, human resources, finance, operations, and so on.

The functional approach aims to identify the strengths and weaknesses of each department and how they contribute to the overall performance of the organization. By doing this, managers can identify areas that need improvement and areas where the company is performing well. The marketing department is responsible for promoting the products and services of a company to its target market. The department has several functions, including market research, product development, pricing, advertising, and sales. In assessing the marketing function of an organization, managers need to evaluate the effectiveness of the marketing mix, which is a combination of the product, price, promotion, and place (distribution) strategies used to market the company's products and services[1].

For example, managers can evaluate the product development function by assessing the company's ability to develop new products that meet the needs of its target market. They can evaluate the pricing function by assessing the company's ability to set prices that are competitive and profitable. They can evaluate the advertising function by assessing the effectiveness of the company's advertising campaigns in generating sales. The human resources department is responsible for managing the company's human capital. The department has several functions, including recruitment, training and development, performance management, compensation and benefits, and employee relations.

In assessing the human resources function of an organization, managers need to evaluate the effectiveness of the department in attracting and retaining talented employees. They need to evaluate the training and development function by assessing the department's ability to provide employees with the skills and knowledge they need to perform their jobs effectively. They need to evaluate the compensation and benefits function by assessing whether the company's compensation and benefits packages are competitive and attractive to employees.

The finance department is responsible for managing the company's financial resources. The department has several functions, including financial planning and analysis, budgeting, accounting, and treasury management. In assessing the finance function of an organization,

managers need to evaluate the department's ability to manage the company's financial resources effectively. They need to evaluate the financial planning and analysis function by assessing the department's ability to provide accurate and timely financial information to support decision-making. They need to evaluate the budgeting function by assessing whether the company's budgeting process is effective in allocating resources to achieve the company's strategic objectives[2], [3].

The operations department is responsible for managing the company's production and delivery of products and services. The department has several functions, including production planning, quality control, inventory management, and logistics. In assessing the operations function of an organization, managers need to evaluate the effectiveness of the department in delivering products and services that meet the needs of customers. They need to evaluate the production planning function by assessing the department's ability to plan and schedule production to meet demand. They need to evaluate the quality control function by assessing the department's ability to maintain high standards of quality in the production process. They need to evaluate the inventory management function by assessing the department's ability to manage inventory levels to minimize costs and maximize service levels. They need to evaluate the logistics function by assessing the department's ability to manage the movement of products and services from the company to customers.

Value chain analysis is a framework used to evaluate the internal environment of a company by analyzing the different activities that are involved in the production and delivery of products and services. The value chain is composed of primary activities and support activities. Porter utilized the ideas of different activities and value added and connected them for analyzing the competitive advantage of the business in his book Competitive Advantage: Creating and Sustaining Superior Performance (1985). Creating a value chain that is as strong as its strongest link and is a more powerful, and core, strategic notion" might make it easier to achieve "strategic fit," which is the way different elements of a plan interact with one another. According to Porter, a value chain analysis may be used to more thoroughly investigate and comprehend the processes and connections between various operations. The organization's operations are described in the value chain analysis, which also connects them to the organization's competitive position.

As a result, it assesses the value that each specific operation brings to the organization's goods or services. The value chain concept acknowledges that businesses are much more than a haphazard collection of tools, resources, workers, and cash. It will be able to create something of value that consumers are prepared to pay for if these assets are successfully used in activities or organized into systems to optimize the advantages to the firm. In other words, the source of competitive advantage is the capacity to carry out certain tasks effectively as well as the capacity to control the relationships among these tasks[4].

Porter makes a distinction between main and auxiliary tasks. The development or delivery of a good or service is the focus of primary activities. Five categories best describe them: Inputs needed and distributed by the company to generate the products and services it provides are known as inbound logistics. They might include tasks related to receiving items, managing inventories, operating storefronts, etc. For instance, they may include foundry operations, forging

operations, machining, assembly, painting, etc. in an automobile industry. Outbound logistics are the processes involved in delivering the service or product to the customer or bringing the customer to the product or service after the output has reached its ultimate form. For instance, it may refer to material handling, transportation, and storage in the case of physical goods.

Sales and marketing are related activities that aim to attract customers' attention to a product and persuade them to buy it. The acts that would permit and assist the purchasing of the product or service are also included. Administration of sales, marketing services, advertising and promotion, etc. would fall under this category. Services provided by strategic management are intended to increase or preserve the value of a product or service. Examples include setting up the product, helping with replacement parts, managing warranties, maintaining the product, etc.

Each of these core actions is connected to a supporting activity that increases the efficacy or efficiency of the primary activity. Four primary categories of support activities are as follows: Acquisition of the numerous resource inputs required to manufacture the product or service is referred to as procurement. This might include buying equipment, supplies, manufacturing components, raw materials, etc. The organization's different departments engage in procurement. All "value-added" operations contain some kind of technology, even if it is only a set of processes and guidelines. The key technology may be directly related to the good or service, such as research and development, design, etc., or it may be directly related to the process, such as the design of dies and fixtures, methods to increase productivity, etc., or it may be directly related to a specific resource, such as raw material advancements, etc[5], [6].

Management of human resources is concerned with all actions related to hiring, educating, fostering, and rewarding employees. Being the foundation for developing, rewarding, and strengthening those abilities that are connected to the people in the business, this role is especially crucial. Infrastructure includes the systems for information management, planning, finance, legal, and other areas. In order for the organization to accomplish its core functions, these actions are required. The company makes an effort to efficiently and consistently detect external opportunities and risks, identify resources and skills, and support core competencies via its infrastructure. The organization's routines and mechanisms that maintain its culture are also considered to be part of the infrastructure.

Both the major tasks and the supporting activities are enclosed by a "margin" in Figure 3.6. The word "margin" suggests that an organization's capacity to manage the connections between all of the value chain's operations determines the profit margin it can obtain. In other words, the organization's goal is to provide a product or service for which the client is ready to pay more than the total cost of all value chain operations. These connections, as demonstrated in the model, are essential for business success. The connections include information, product, and service flows as well as systems and procedures for controlling activity. As a consequence, the connections focus on streamlined communication and coordination across the various value chain processes. An easy illustration can help to highlight their significance:

The Marketing & Sales function of a company that manufactures physical goods is responsible for timely and accurate delivery of the next period's sales predictions to all other departments.

This projection will enable procurement to order the required materials for the appropriate date. Operations will only be able to organize production in a way that ensures the timely and efficient delivery of goods - as predetermined by marketing - if the materials and inputs are appropriately delivered by procurement and it passes order information to inbound logistics[7], [8].

The fact that businesses utilize specialized services, insert proprietary components into their products, and create ancillaries to support their goods and services is one of the major characteristics of contemporary industrial systems. Seldom does one business handle all tasks, including product design, component manufacture, final assembly, and delivery to the customer. As a result, any company involved in providing goods or services to customers is a part of a value system or supply chain. The final output is often created by a variety of entities, with roles typically being specialized.

It is not sufficient to examine just inside an organization to assess its strategic competence. Investigating the links is necessary. The supply and distribution chain will account for a large portion of value generation. Any examination of the strategic capacity must be approached holistically, taking the full value chain into account. For instance, a value chain analysis may reveal that some of these links will be essential to the organization's competitive edge, while others may be able to be replaced. So, the whole value system in which the firm works should be included in the value chain analysis.

This is the difference between the ultimate price the consumer pays and the whole cost associated with producing and delivering the product or service (such as labor, raw materials, and energy). How this margin is spread among the many members of the value system, such as suppliers, producers, distributors, consumers, and others, will be largely determined by the structure of the value system. Strategic planning each link in the value chain will utilize their position in the chain, competitive advantage, and negotiation strength to secure a larger share of this profit. When each link in the value chain thinks it benefits from the connection, a successful value chain is created. A fundamental competency and a source of competitive advantage, the capacity of a business to affect the performance of other firms in the value chain. Several businesses do specific tasks including dealer and distributor training and auxiliary development.

One of the most popular methods for boosting an organization's technology proficiency is a value chain. Diffusion is the method through which knowledge is shared across participants in the value chain. As a consequence, both the knowledge supplier and the knowledge recipient gain new capabilities. This is shown by the conventional organization of the Japanese industrial sector. The units that are connected to the mother unit work together to increase efficiency, teach and learn new and better methods to do their responsibilities, and assist each other in cutting expenses. As a result, they are able to increase their overall margin, which is advantageous for all system participants.

A robust value chain functions similarly to the conventional Japanese system, where chain participants consider the advantages that accrue to the whole value chain. In such value chains, collaboration is both feasible and often seen. For instance, members of the value chain may work

together to enhance processes, reduce stockpiles at various levels, or increase productivity. As a result, everyone along the value chain benefits[9].

Conceptually, value chain analysis is not a particularly challenging activity. Yet, depending on the nature of the product, the connections, the major processes involved, etc., it is often a task that may be extremely challenging and requires a lot of data as well as a powerful computer to handle it. Nevertheless, many of the ideas of segmenting operations into activities and assigning expenses to them are now considered best practices in cost accounting, which simplifies the process. After the fundamental data has been gathered and the connections have been made, the process becomes regular. The following stages may be used to undertake a typical value chain analysis:

1. Analyze your own value chain and list the main and auxiliary tasks. It is necessary to dissect each of these activity categories into its fundamental elements, and expenses are assigned to each individual activity element.
2. Customer value chain analysis – determine how our product fits into the customer's value chain.
3. Assess the company's unique selling points and any possible cost advantages over rivals. How can our product contribute value to the client's value chain (for example, reduced costs or improved performance)? Where does the customer perceive this possibility?
4. Determine potential value added for the customer.
5. Finding the activities that provide you a distinct edge over rivals is the last phase. These are the organization's key competencies or competencies.

The value chain is helpful in identifying the areas where cost reduction and/or product differentiation might be beneficial. Faced with competition and constrained in his ability to expand because of government regulations, Rahul Bajaj concentrated on establishing standards for and streamlining Bajaj Auto's operating procedures.

He succeeded in positioning Bajaj Auto to become the lowest-cost two-wheeler manufacturer in the world. Giving clients "the greatest value for money" was the concept. Previously, outsourcing accounted for around 60% of the value of a Bajaj car. The value chain was streamlined and outsourcing was boosted. Expenses were closely monitored, and a significant effort was made to create a supply, manufacturing, and distribution system with a highly efficient value chain[10].

A strategy focused on pursuing cost leadership requires either a decrease in the overall quantity of resources consumed or in the expenses related to value chain operations. The fundamental method of value chain analysis is to assess each activity's worth and cost to see whether it is cost-effective. A Value Index determines which tasks are prioritized. If the value index is less than 1, the expense spent is not justified; if it is more than 1, the value index adds value to the company. The company must determine which operations bring value and which cannot be justified financially by the value they offer. The value is often determined by benchmarking the activity against best practices in the industry or comparing it to a comparable activity inside the business.

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CHAPTER 9

IDENTIFYING CRITICAL SUCCESS FACTORS FOR ORGANIZATION

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Organizations strive to succeed in their respective industries, but only a few manage to attain the desired levels of success. While there are several factors that can contribute to an organization's success, it is essential to identify the critical success factors (CSFs) that can have the most significant impact on an organization's performance. CSFs are the essential areas that an organization must focus on to achieve its goals and objectives. This paper identifies and discusses the critical success factors for an organization.

Leadership is a crucial factor in the success of any organization. The leadership style and approach can significantly affect the performance of the organization. Effective leadership can inspire and motivate employees, create a positive organizational culture, and foster innovation and creativity. On the other hand, poor leadership can lead to a lack of direction, demotivated employees, and a negative organizational culture. Therefore, it is crucial for an organization to have a strong and effective leadership team.

The leadership team should have a clear vision and strategy for the organization. They should be able to communicate the vision and strategy to employees effectively and ensure that everyone understands their roles and responsibilities in achieving the organization's goals. Additionally, the leadership team should lead by example and exhibit the values and behaviors that they expect from their employees. Human resource management (HRM) is another critical success factor for an organization. HRM involves managing and developing the organization's human resources, including recruitment, training, performance management, compensation, and employee relations. An effective HRM strategy can help an organization attract and retain talented employees, improve their skills and competencies, and foster a positive work environment[1], [2].

To achieve this, an organization should invest in its employees' development and training, ensure that their compensation and benefits are competitive, and create a work environment that values diversity, inclusivity, and employee well-being. Additionally, the organization should have a robust performance management system that provides feedback to employees and identifies areas for improvement. Organizational culture refers to the shared values, beliefs, attitudes, and behaviors that define an organization's identity. It is a critical factor in an organization's success as it shapes employee behavior and motivation, impacts performance, and influences the organization's ability to adapt to change.

A positive organizational culture is characterized by open communication, collaboration, respect, and a commitment to excellence. Such a culture fosters innovation, creativity, and employee engagement, leading to higher productivity and better performance. On the other hand, a

negative organizational culture, characterized by distrust, conflict, and poor communication, can lead to low employee morale, absenteeism, and turnover.

To foster a positive organizational culture, an organization should communicate its values and mission clearly, create a sense of belonging and purpose among employees, and establish an environment that encourages open communication, collaboration, and respect.

Customer focus is another critical success factor for an organization. Customers are the lifeblood of any business, and an organization's ability to meet their needs and expectations can determine its success or failure. An organization should have a deep understanding of its customers' needs, preferences, and behaviors to develop products and services that meet or exceed their expectations.

To achieve this, an organization should conduct market research and gather customer feedback to understand their needs and preferences. Additionally, the organization should have a customer-centric culture that prioritizes customer satisfaction and experience. This can be achieved by empowering employees to make decisions that benefit the customer, providing excellent customer service, and continuously improving the organization's products and services[3], [4].

Innovation and creativity are critical success factors for an organization as they enable it to stay competitive and adapt to changing market conditions. Innovation involves developing new ideas, products, and services, while creativity involves generating novel solutions to problems. To foster innovation and creativity, an organization should encourage open communication, collaboration, and experimentation. This can be achieved by creating a work environment that values and rewards innovation and creativity, providing employees with the necessary resources and support to pursue new ideas, and allowing them to take calculated risks without fear of failure.

Additionally, the organization should establish a culture that values and embraces diversity and inclusivity as it fosters different perspectives and ideas. Furthermore, the organization should invest in research and development, technology, and infrastructure to support innovation and creativity. Financial management is a crucial success factor for an organization. Financial management involves managing the organization's financial resources effectively and efficiently. It includes budgeting, forecasting, cash flow management, and financial reporting.

Effective financial management can help an organization allocate resources optimally, make informed decisions, and ensure its long-term sustainability. On the other hand, poor financial management can lead to cash flow problems, excessive debt, and financial instability. To achieve effective financial management, an organization should have a sound financial management system that provides accurate and timely financial information. The organization should also have a financial plan that aligns with its strategic goals and objectives and ensures its financial sustainability. Additionally, the organization should regularly monitor and evaluate its financial performance and take corrective actions when necessary.

Operational efficiency is another critical success factor for an organization. It refers to the organization's ability to produce goods and services efficiently, minimize waste and costs, and

deliver high-quality products and services. To achieve operational efficiency, an organization should streamline its processes, eliminate unnecessary steps, and adopt best practices. Additionally, the organization should invest in technology and automation to optimize its operations and reduce costs. This can include implementing enterprise resource planning (ERP) systems, robotics, and artificial intelligence (AI) solutions.

Risk management is a crucial success factor for an organization. It involves identifying, assessing, and managing risks that can affect the organization's performance and reputation. Risk management can help an organization minimize potential losses, capitalize on opportunities, and enhance its resilience[5], [6].

To achieve effective risk management, an organization should have a risk management strategy that identifies potential risks, assesses their likelihood and impact, and develops mitigation plans. Additionally, the organization should regularly monitor and evaluate its risk management practices and adjust them as necessary. A critical success factor (CSF) is a characteristic of a company that becomes essential to its success. They might develop as a consequence of the environment, politics, problems with human resources, and cost-related factors. Often, a crucial success factor analysis a foundation for creating resource planning. This resource planning approach creates a closed-loop system. It runs in an endless loop with neither a start nor an end that includes strategic control.

The strategic decision is translated for execution in the resource plan. A resource plan is a concrete set of actions that specify how and what to utilize the organization's current resources and competences, as well as when additional resources and competencies are required. The strategic plan is another name for the resource plan. Strategic Management and Planning are not the same as this. The business and policy goals serve as the foundation for the resource strategy. This are where the Crucial Success Factors come from (CSFs). The elements of strategy where the company must perform well to beat the competition are known as critical success factors.

They are converted into alternatives for execution in accordance with the needed priority change efforts. This serves as the foundation for the programmed and associated initiatives, and it should have a positive impact on the organization's operations and policies. A resource plan's flowchart. The resource plan is supported by programmed, initiatives, and funds and is stated as a timeline of goals or a series of activities.

It specifies in great depth the needs of certain strategic advances. Failure to translate statements of strategic purpose, such as gaining market share, into the identification of those factors that are essential to achieving these objectives, as well as the identification of the resources and competencies that will ensure success, constitutes a significant weakness in strategy implementation. A key success factor is described as a characteristic of an organization or its surroundings that, by its very nature, has such an influence on success that monitoring, measuring, achieving, or avoiding it becomes crucial to success. Crucial Success Factors (CSFs) may be caused by environmental factors, political factors, problems with human resources, and cost-related factors[7].

CSFs (Critical Success Factors) are the pieces of knowledge necessary for efficient management control. Determining what matters to business success that is, transforming management information needs into the crucial areas supported by competences that guarantee this success is a major factor in determining the validity of CSFs. Resource plans often include a study of essential success factors as its foundation. There are three steps in the CSF analysis: The following: Determine the essential ingredients for the particular strategy's success. The list ought to be reasonable (preferably fewer than six). They may include things like creating a worldwide network, managing the supply chain, and "agile" manufacturing, for instance.

Important judgments: You can tell when important choices need to be made. Determine the underlying skills necessary to achieving competitive advantage via each of these CSFs, regardless of whether they are associated with distinct activities, supporting activities, or the management of links between activities. Examine the list carefully to make sure it has enough items to provide a competitive edge. Determine an organization's fundamental strengths by evaluating how much each rival may be imitated. Make a decision on the probable effects of competing moves and the potential necessity for retaliation.

Requirements for information: locating the data required to support the choices. Determine the performance requirements that must be met in order to outperform the competition. It's crucial to keep in mind that rivals will probably try to meet or surpass these standards, which will reduce competitive advantage. Thus, make sure that performance requirements are reviewed often. Maintaining the connection between what has to be done and why it is necessary is crucial. For instance, an assessment of a significant project completed by Price Waterhouse in 1998 on behalf of a customer revealed that only 23 of the intended 39 CSFs were really accomplished[8], [9].

Poor communication was highlighted as one of the key causes of this failure. The project management team lost focus on what was crucial when the systems put in place at the start of the project expired and became ineffective. One person should be in charge of overall direction and leadership; active stakeholder management should be ensured; a clear understanding of the necessary change and the metrics to gauge success; and so on. The elements of the programmed, their interactions with other programmed, and how they relate to company strategy should all be well coordinated.

Verify and double-check that the programmed management and support mechanisms are in place. The organization should be able to implement the change needed by the programmed. Appropriate persons with the necessary skills and expertise should be available to set up, manage, and deliver the programmed. The assignment of responsibility for each of the CSF's actions must be done correctly while executing strategies. While accountability for delivering business advantages may be allocated, the connections are essential for assuring correct information and action.

The environment of business is a complicated mash-up of several forces. The ability of the organization to develop a framework to improve the organization's understanding of the market dynamics and their complex impacts results in competitive advantage. In order to help with strategic decision-making, it is vital to make sense of this variety. The process of acquiring

information involves more than just formal education regarding certain professions. Designing and using information flows to assess changes in the external environment and utilize that information to help the company remodel work practices, management procedures, and contribute to strategic decision-making is the most challenging component of the process[10].

Institutions deteriorate because they are unable to monitor the changes in their environment. One of the things that history has taught us is this. Businesses have discovered that they are losing both their markets and their capacity to provide value to the client.

The demand for change is not only driven by competitive, macroeconomic, or technical factors. Organizations must monitor changes in the economy, society, law, marketplace, and technology. It takes work and discipline to keep track of changes. The collaborative effort of strengthening information gathering and analysis has to be given the same importance by organizations as improving the organization's financial performance.

There are many challenges in accomplishing this, even when the analysis is in a form that can support strategic decision-making. Most individuals simplify difficult situations in order to deal with them. The manager of a firm is no different. Concentrating on elements that have historically been significant or that support preexisting beliefs might help to simplify difficult situations. This often occurs, diluting the analysis's value in the process.

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CHAPTER 10

BEYOND THE BASICS: ADVANCING THE SWOT AUDIT AS A STRATEGIC MANAGEMENT TOOL FOR ORGANIZATIONAL ANALYSIS AND DECISION MAKING

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A SWOT analysis is a strategic management tool used to identify an organization's internal strengths and weaknesses, as well as external opportunities and threats. By understanding these factors, an organization can develop strategies to take advantage of its strengths, mitigate its weaknesses, capitalize on opportunities, and address potential threats. The SWOT acronym stands for Strengths, Weaknesses, Opportunities, and Threats. Strengths and weaknesses refer to internal factors, while opportunities and threats refer to external factors. In this essay, we will discuss the SWOT analysis in detail, including its purpose, process, and application.

Purpose of SWOT Analysis The purpose of conducting a SWOT analysis is to gain a comprehensive understanding of an organization's current situation. By analyzing the strengths, weaknesses, opportunities, and threats facing an organization, managers can develop strategies to improve performance, increase profitability, and achieve their objectives. The SWOT analysis is a valuable tool for identifying areas for improvement, developing new products or services, and exploring new markets[1], [2].

Process of SWOT Analysis the SWOT analysis is conducted in four stages: identification, analysis, strategy development, and implementation. Identification Stage

In the identification stage, the organization identifies its strengths, weaknesses, opportunities, and threats. Strengths are the organization's internal capabilities that give it a competitive advantage. Weaknesses are internal factors that limit the organization's performance. Opportunities are external factors that could benefit the organization. Threats are external factors that could harm the organization's performance[3].

Analysis Stage In the analysis stage, the organization analyzes each of the factors identified in the identification stage. The organization should ask questions such as:

1. What are the reasons for our strengths?
2. What are the reasons for our weaknesses?
3. What are the potential benefits of the opportunities we have identified?
4. What are the potential consequences of the threats we have identified?

Strategy Development Stage In the strategy development stage, the organization develops strategies based on the analysis of its strengths, weaknesses, opportunities, and threats. The organization should consider strategies that will:

1. Build on its strengths
2. Address its weaknesses
3. Take advantage of opportunities
4. Mitigate potential threats

It is a well-liked instrument for auditing and analyzing a company's overall strategic position in relation to its surroundings. Strengths, Weaknesses, Opportunities, and Threats are abbreviated as SWOT. Often, the firm's internal environmental elements may be divided into strengths (S) and weaknesses (W), while those that are external to the company can be divided into opportunities (O) and threats (T). In order to match the firm's resources and capabilities to the competitive environment in which it works, information from the SWOT analysis is useful. As a result, it is important for choosing and developing strategies. Building on their strengths, fixing their flaws, and fortifying themselves against both internal and external dangers are all characteristics of successful organizations. Also, they keep an eye on their general business environment and are quicker than rivals to recognize and seize on fresh chances. The method is straightforward and efficient. It requires an analytical mindset. Due to its simplicity, any businesses may benefit from using this application.

The first stage is to determine who our rivals are. Every industry has rivals. Those that might provide our consumers a product or service that satisfies their needs are our rivals. Even if our product or service is really novel, we still need to consider what other products or services our clients could buy to complete this job. Internal Review of the Company Start by taking a peek at our main rivals. They are the industry titans, the businesses that today rule our market. Next, search for our secondary rivals. These are the companies who may not compete directly with us but who yet have the same target market in mind. Lastly, consider prospective rivals. They are businesses that might enter our market, so we need to be ready to compete with them[4], [5].

The second stage is to assess the advantages and disadvantages of our rivals. Find out what their advantages are and what their weaknesses are. Why do consumers purchase from them? Is it a cost? Value? Service? Convenience? Reputation? Consider "perceived" strengths and weaknesses just as much as real ones. This is due to the possibility that client perception may be more significant than actuality. Tables make the examination of strengths and shortcomings easier to complete. Note down the names of all the participants. Next create columns detailing each crucial area for our industry. Price, value, service, location, reputation, expertise, comfort, staff, or advertising/marketing might all be factors. Comment on why we gave each of the competitors a certain ranking for each of the above criteria.

Examining dangers and opportunities is the third phase. Both strengths and weaknesses are often variables that a corporation may influence. Yet in assessing our rivals, we must also consider how well-equipped we are to handle circumstances outside our control. Opportunities and

dangers may be divided into many different types. It might be a new rival or even technology advancements, legal or regulatory actions, economic causes, or regulatory changes. Making a table of our rivals and external variables that will affect our industry is a useful technique to do this. Afterwards, we will be able to determine how to respond to both opportunities and dangers.

Choosing our position is the fourth stage. We need to decide how to position our business in relation to the competition after identifying the strengths and weaknesses of our rivals. Place our business in the same categories where we placed our rivals. This will help us understand how our company fits within the competitive landscape. Also, it will show us where we need to make improvements and what aspects of our company we should emphasize to attract more clients.

The connections in a SWOT analysis are often represented by a 2 × 2 matrix. Both the "Strengths" and the "Opportunities" are advantageous factors. Both "weaknesses" and "threats" are detrimental factors. The matrix shown in Figure 4 might be used to list the final outcomes of an investigation. A firm's strengths, weaknesses, opportunities, and threats are listed in the matrix. The corporation may utilize this knowledge in a variety of ways to develop its alternatives going forward. Generally speaking, the business should work to: l Increase its strength; l Reverse its weakness; optimize its responsiveness to chances; conquer its threat.

The best way for a company to get a competitive edge is to find a match between its strengths and emerging prospects. Sometimes a company can overcome a shortcoming. One of the most crucial aspects of environmental scanning is a thorough examination and analysis of our rivals. Similar to a PEST analysis, a PESTLE analysis involves identifying the political, economic, socio-cultural, and technological influences on an organization. It also offers a way to audit the environmental influences that have impacted an organization or policy in the past and how they might do so in the future[6].

In conducting analyses of environmental or external impacts, legal and political aspects are increasingly being kept apart. The recognition of the importance of environmental elements has also resulted in the category of "environment" being more broadly defined, which has led to the phrase "PESTLE analysis" replacing the more conventional "PEST analyses": PESTLE is an abbreviation for political, economic, sociocultural, technical, legal, and environmental factors.

The PESTLE analysis is straightforward, rapid, and utilizes four crucial viewpoints. This technique has the benefit of encouraging managers to make decisions with proactive and organized thinking. We must first identify the competition before we can analyses it. Any company advertising a good that is comparable to, or serves as a replacement for, our own product in the same region is a direct rival. There are certain marketplaces where it is rather simple to identify every rival. There aren't many rivals in these highly consolidated areas. If this is the case with your product or service, create a competition analysis for each. These markets include, for example, the steel and automotive industries.

The task of studying the competition gets more challenging if we are selling in a market with plenty of rivals. Use the classic 80/20 rule in marketplaces with lots of rivals since it is likely that 20% of the competition is responsible for 80% of the market's overall sales. The 20% is what we should focus on intently. Indirect competitors are businesses that provide goods or services that

are different from or in place of ours. There would be indirect rivalry between a butter maker and a margarine manufacturer selling to the same clients, or between a producer of eyeglasses and a contact lens manufacturer.

The customer's demand will be met via indirect competition with a specific product or service, even if it may not be one of ours. A company is not now our direct competition if it operates in distinct market categories while having identical items and distribution methods. Yet, it's critical to keep an eye on these businesses' marketing initiatives since we never know when they may decide to enter our market or when they might decide to enter ours.

The SWOT analysis and the PESTLE matrix are both constructed similarly. In the PESTLE matrix is shown. Finding the problem is the first step. Keep in mind that concentration is crucial. Create your own PESTLE questions and prompts to fit the circumstance and the problem being studied[7], [8].

On the basis of this, it ought to be feasible to pinpoint a number of important environmental factors that act as change-drivers. These are the elements that the matrix has to take into account. Finally transfer the last things from your list that we have determined to a PESTLE matrix. Politics; Environmental/Ecological Concerns; Existing and Future Legislation; Regulatory Bodies and Procedures; Government Policies; Term and Change in Government; Trade Policies; Economic considerations include: the state of the economy, its trends, product-specific taxes, market and trade cycles, industry-specific factors, customer/end-user motivations, interest rates, and exchange rates.

Social, demographic, consumer attitudes and views, brand, corporate, and technological perception, consumer purchasing habits, and ethnic/religious variables are just a few of the aspects that influence society. By assigning a weight and a score to the elements in each section for each of the possibilities that the company must examine, the PESTLE analysis may be transformed into a more precise measuring tool. We may assign a score on a scale of 1 to 100 to each item in each section of the PESTLE chart. There will be certain aspects that are more crucial than others. Verify that the sum of the weights is 100. In case we are looking at possibilities, the following step is to list all the options that we are evaluating. Give each distinct choice a score. The last step is to add the final score for each choice after multiplying the marks by the weighting factor.

Each choice will be given a grade. The choice is more appealing the higher the score. The final findings will provide a sense of how appealing the different possibilities are, and they ought to serve as the starting point for a shortlist of workable options. When more than one choice is being evaluated, such as when two markets are being compared to determine which market or opportunity has the greatest promise and/or challenges, scoring and weighting are very helpful. Additional instances include deciding whether to focus on local distribution or export, whether to buy firm X or company Y, etc. while evaluating business growth and investment possibilities. The more or less important aspects should be given more or less weight.

The larger and more complex the business or proposition, the more useful and relevant PESTLE analysis is. However, even for very small local businesses, a PESTLE analysis can still highlight

one or two very important issues that might otherwise be missed. PESTLE evaluates a market, including competitors, from the standpoint of a particular proposition or a business. The PESTLE analysis is a valuable method for measuring company performance in order to comprehend the firm's competitive environment[9], [10].

When the PESTLE analysis is complete, a SWOT analysis may be used to evaluate the possibilities that made the short list. The process that results in the findings and suggestions is further aided by the SWOT analysis. SWOT should often come after PESTLE, not the other way around. PESTLE aids in locating SWOT elements. In its purest form, case analysis is a management learning tool rather than a management tool. Ever since the Harvard Business School was founded in 1908, case analysis has been employed in management studies. Using the ideas taught in various business study areas and using those ideas to examine the company or the issue are both requirements for case analysis.

A case study recounts the events that affected a company or industry over a period of time. It details the situations that managers had to deal with, gives a thorough understanding of several facets of business life, such as changes in the competitive environment, and records the managers' responses, which often entailed altering the company- or corporate-level strategy. Often, it is written from the perspective of the decision maker. Every situation is unique because every company is unique.

The student is required to give reasons, an independent view on the issue, and potential alternatives or solutions. There is no one correct solution to an issue. The benefit of this approach is that it gives people a chance to reflect and the capacity to comprehend the complexity of the outside world. Yet, the adoption of Strategic Management strategies to address business issues is the unifying theme in each instance. Cases provide students firsthand knowledge of organizational issues. Students get the opportunity to comprehend and examine the issues that many different organizations encountered, as well as how management attempted to address them, in a very short amount of time.

The theory and principles of strategic management are shown via case studies, which help us understand what is happening in the organizations under study and analyses the approaches used by certain businesses to address their difficulties. Case studies provide us the chance to engage in class and practice articulating our opinions in front of others. Our analysis of the problems may not have been the same as that of our instructors or classmates. In order for them to accept our findings, we will need to systematize our ideas and conclusions. This conversation style is an illustration of the dialectical method of decision-making. In the real world of business, choices are made in a similar manner.

Cases are often given to a group for analysis before to the class as a whole. The presentation must contain the raised concerns, the company's challenges, and a number of suggestions for fixing the issues. The class is then invited to participate in the conversation, and we must defend our positions. Through such debates and presentations, we will get experience on how to successfully communicate with others. A manager spends a lot of time in these types of situations in real life, expressing their thoughts and conversing with other managers who have

different perspectives on the matter. As a result, case study will provide us in-class experience with the real-world application of strategic management. A case study's goal is to assist us in applying strategic management principles to a scenario that is as close to real life as possible. We must examine the problems a certain organization is having. We must thus carefully evaluate the problems the company is facing before we can study a case. The case will often need to be read numerous times. The purpose of the initial reading is to get a sense of the organization's general situation. We should reread the case numerous times more until we are certain that we have identified and understood the organization's unique difficulties.

Here are the steps we can follow to examine case material, which will assist in developing a methodologically sound approach to case analysis. There are many stages that are listed below in three sections as follows: The first step is becoming acquainted with the organization's past. Often, this will provide the data that will serve as the foundation for the whole study. The SWOT analysis follows this. The SWOT analysis offers a succinct description of the state of the firm; a strong SWOT analysis is the foundation for all subsequent analyses:

Examine the history of the organization, including its growth and development. Find the incidents that contributed the most to the organization becoming what it is now or that were the most unique. This should make it clearer to us how an organization's historical strategy and organizational structure impact it now. Inside the Company Analysis Our list of events will include those that relate to the company's establishment and first offerings. Learn how it develops and selects functional capabilities to pursue, as well as how it decides on new product market choices. Entry into new companies and changes to its primary business lines are significant turning points.

It is important to do an analysis after the historical profile to determine the company's internal strengths and shortcomings. The important occurrences should reveal the organization's strengths and weaknesses since we have already established the historical investigation's milestones. Analyze each of the organization's functions to determine where it is strong and where it is weak. For example, the organization may be strong in marketing or research and development, while being poor in production activities, etc. List these factors' advantages and disadvantages. The exterior environment must be evaluated to find environmental opportunities and hazards once the internal environment has been thoroughly examined. Determine which variables in the macro environment, for instance, economic or environmental issues, are significant for the firm in question. To understand how these elements impact the competitive environment, we must exercise our minds[11].

We have now finished the SWOT analysis after doing this. Both a description of the internal environment of the company and a list of opportunities and threats will have been produced. For industrial analysis, the SWOT analysis is very crucial. What environmental hazards are there to the company? Can the company handle these threats? How should it modify its tactical approach to deal with them? This should not be difficult provided our SWOT analysis accurately reflects the nature of the issues. With a complete understanding of the organization's operations, we can now assess the strategy's potential. As a result, we will be able to provide suggestions for its behavior pattern going forward. We must apply our results to the current issue as we have

determined the organization's external opportunities and dangers as well as its internal strengths and limitations. Think about what our results imply. Strengths and weaknesses must be weighed against opportunities and dangers.

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CHAPTER 11

MEETING STAKEHOLDER EXPECTATIONS: A STRATEGIC MANAGEMENT PERSPECTIVE ON BUILDING AND SUSTAINING POSITIVE STAKEHOLDER RELATIONSHIPS

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We may want to look at the following issues that the SWOT analysis will raise: Is the company in a solid competitive position overall? Can it make money with its present tactics going forward? What steps can the business take to transform its vulnerabilities into assets and its threats into opportunities? Can it come up with fresh plans to bring about this change?

The purpose and goals of the organization must be stated first. We may have to deduce them from the facts we know. These details include things like the organization's line of work, the makeup of its subsidiaries, and acquisitions. It is crucial to examine how the company's businesses interact if it operates more than one. For instance, we are aware that is involved in many industries. We require answers to the following queries: How are its companies connected? Do they swap goods or services? Is there potential for synergy to produce gains? Is the business only managing an investment portfolio?

With the help of this study, we should be able to determine the organization's corporate strategy and determine if it has a single core business. Considering the results of the SWOT analysis, argue the advantages of the strategy we have chosen. Are the tactics suitable for the organization's current environment? Might a shift in tactics open up new possibilities or convert a weakness into a strength? For instance, should the firm concentrate on increasing its manufacturing capacity or on R&D; or should it expand into other industries outside of its primary industry? Also, we should think about how and why the organization's tactics have evolved through time. What, if any, justification existed for these modifications?

Firm Internal Analysis the Company’s operations or goods should be evaluated. The areas that most enhance or lessen its competitive advantage should be determined. See how the company has developed its portfolio over time. Did it purchase new enterprises, or did it launch its own from within? All of these elements provide information about the organization and point to strategies to improve its performance in the future[1]–[3].

If the organization just has one business, its business-level strategy and corporate-level plan are the same. Each company inside the firm will have its own business-level strategy. Finding the company's business-level strategy comes next. To achieve this, we must determine the general competitive strategy of the company differentiation, low cost, or emphasis. In order to understand the organization's investment plan, we must also ascertain its relative competitive position and the stage of the goods' life cycles. Different items may be marketed by the company using various business-level tactics. For instance, Maruti Udyog provides a low-cost product the

Maruti 800 as well as a range of distinctive items that are catered to various economic groups. Describe a company's business-level strategy in detail to demonstrate how it competes.It is crucial to understand how the functional strategies provide competitive advantage. Does the business do this via exceptional effectiveness, quality, innovation, and responsiveness to its customers? The functional capabilities from the SWOT analysis should be connected to further explore the manufacturing, marketing, or research and development plan. This will help us understand the direction the business is taking. For instance, effectively pursuing a low-cost or differentiation strategy, as Maruti is doing, calls for completely distinct sets of capabilities. Has the business created the best ones? If so, how can it continue to take advantage of them?

Examine the structure and management systems to determine if the structure the organization is employing to accomplish its strategy is the right one for the organization, identify the structure and control systems the company is utilizing. Many corporate and company strategies call for various structures. For instance, does the organization have a decentralized control or the right number of levels in its hierarchy? When a product structure should be used, does it instead utilize a functional one?Is the business managing its operations with the appropriate integration or control systems? Are managers receiving fair compensation? Are the appropriate incentives in place to promote cross-divisional cooperation? Consider all of these factors. In the last section, we provide our suggestions. The corporate plan and the business level strategy should also be taken into account, and their alignment with our list of strengths and weaknesses should be examined. We also need to examine how well the organization carries out its plan, or how it attempts to do so. The calibre of our suggestions will be reflected in how well we completed the case analysis. Our suggestions need to be consistent with the study we've done and ought to flow naturally from it. Suggestions are intended to address any strategic issues the business may be experiencing and boost the firm's potential profitability in the future.

Although analyzing financial statements can be quite complex, a good idea of a company's financial position can be determined through the use of ratio analysis. Financial\ performance ratios can be calculated from the balance sheet and income statement. Since different stakeholders in the organization will have a difference in their views of the financial performance of the organization, the analysis requires to be geared to the requirements of each of the groups. There are different financial ratios that satisfy the requirements of each of the groups. Based on this logic, the financial ratios have been arranged on this basis[4].The stakeholder's expectations are given by the goal of maximizing stockholders' wealth and providing shareholders with an adequate rate of return. Shareholders are primarily interested in different measures of earnings on their capital that measure the quality of their investments. Total Shareholder Returns: Total shareholder expectations or returns measure the returns earned by time (t + 1) on an investment in a company's stock made at time t. Total shareholder returns include both dividend payments and appreciation in the value of the stock (adjusted for \sstock splits) and are defined as follows:

Total shareholder returns = (Stock price (t + 1) – stock price (t) + sum of annual dividends \sper share) /Stock price (t) (t)

If a shareholder invests Rs. 100 at time t and at time t + 1 the share is worth Rs. 150, while the sum of annual dividends for the period's' to 't + 1' has amounted to Rs. 10, total shareholder

returns are equal to (150 - 100) + 10)/100 = 0.6, which is a 60 percent return on an initial investment of Rs. 100 made at time 't'.

Return on Equity (ROE): This ratio measures the percentage of profit earned on common stockholders' investment in the company. It is defined as follows:

Return on stockholders' equity = Net profit /Stockholders' equity

It is a basic measure of the efficiency with which the firm employs the owners' capital and estimates the earnings per Rs.100 of invested equity capital. ROE is a powerful tool for analyzing the operations of the organization, as the ratio can be decomposed into 3 elements:

$$ROE = [Profit/Sales] \times [Sales/Assets] \times [Assets/Equity]$$

Each of the three elements provides information on different aspects of the operation of the organization.

Price-Earnings Ratio: The price-earnings ratio measures the amount investors are \swilling to pay per dollar of profit. It is defined as follows:

Price-earnings ratio = Market price per share/Earnings per share

Earnings before Interest and Taxes (EBIT), is an earnings ratio. It is the income earned by the company without regard to how it is financed; so EBIT (1 - Tax rate) is income after tax, excluding any effects of debt financing. The earning per share can be calculated before tax as well as after tax.

Strategic Planning Capital Asset Pricing Model [CAPM]: In addition, stockholders can also use modeling to determine the quality of their investment. One such model is the Capital Asset Pricing Model [CAPM]. This models the risk expected and expected return trade-off in the capital market. CAPM Model looks at the company in the market[5], [6].

CAPM = Return on stock (Rs) = Risk Free Rate + ß. (Expected Market Profitability Rate - Risk Free Rate)

ß (bêta): is the measure of risk used for a single share. In other words, it shows the sensitivity or reaction of a share compared to the variation of total portfolio of market shares.

The Risk free rate is the rate that is offered for example, by Treasury Bills or Bonds, National Bonds, etc. The expected market profitability rate is the average rate attracted by similar portfolios in the market. For example, Standard& Poor's Index of 500 stocks had an average annual profitability rate from 1926 to 1994 of 12.2 %. The Beta is given by the market and published by various investment advisory services. It is the Bêta of a levered firm. That means that the Bêta takes in account the Business risk and the financial risk. There are a number of other financial ratios that are of particular interest to the shareholders. Shareholder-return ratios measure the return that shareholders earn from holding stock in the company.

It can be helpful to compare a company's shareholder returns against those of similar companies. This is a yardstick for determining how well the company is satisfying the demands of this

particularly important group of organizational constituents and is a measure of its core competence in attracting shareholders to invest in the organization.

The basic principle in determining the quality of an investment is the Economic Value Added (EVA) (EVA). The EVA of a company should always exceed the cost of capital employed, or the ratio 'EVA/Assets' > Cost of Capital. Bankers and other providers of funds to the organization are primarily interested with the risk attached to the borrowings and the competence with which the borrowings are managed. This information can be gathered from the capital structure of the organization, using what is commonly called as 'Leverage ratios.'

Debt-to-Equity Ratio: The debt-to-equity ratio indicates the balance between debt and equity in a company's capital structure. This is perhaps the most widely used measure of a Company’s leverage. It is defined as follows:

Debt-to-equity ratio = Total debt/Total equity

Financial Leverage: The financial leverage of the firm is given by the relationship:

Financial Leverage = [ROA - interest] × Debt/Equity

The "Financial Leverage" factor is dependent upon 2 elements: ROA - Interest rate, and D/E (gearing ratio) (gearing ratio)

The balance between debt and equity is called the capital structure. A company is said to be highly leveraged if it uses more debt than equity, including stock and retained earnings. The optimal capital structure is determined by the individual company. Debt has a lower cost because creditors take less risk; they know they will get their interest and principal. However, debt can be risky to the firm because if enough profit is not made to cover the interest and principal payments, bankruptcy can result is an optimal debt equity ratio, beyond which the Return on Equity gets impacted. Return on Assets (ROA) is a fundamental measure of the efficiency with which a firm manages its assets. This ratio measures the profit earned on the employment of assets.

It is defined as follows:

Return on total assets = Net profit/Total assets

ROA is an Economic profitability. It answers the following question: How much profit \sis the firm generating from the use of its assets. ROA does not depend upon the way the firm finances its assets usually define ROA on a pre-tax basis to make international comparisons and to compare profitability across firms having different financing strategies

Ideally, the Return on Assets (ROA) should be such as to maximize the Self-Sustainable Growth (SSG) of the organization. This is the rate of growth that a company can maintain (can sustain) internally without changing its financial structure (D/E). A good track record \sand a good SSG of the organization can be considered as areas of core competence by Bankers. This would provide an incentive for them to invest further in the organization[7], [8].

Management will generally be interested in the profit ratios. These measure the efficiency with which the company uses its resources. The more efficient the company, the greater \sis its profitability. It is useful to compare a company's profitability against that of its major competitors in its industry to determine whether the company is operating more or less efficiently than its rivals. In addition, the change in a company's profit ratios over time tells whether its performance is improving or declining. A number of different profit ratios can be used, and each of them measures a different aspect of a company's performance. The ROE and the ROA have been discussed in earlier sections. Here, we look at the other commonly used profit ratios.

Return on Invested Capital: This ratio measures the profit earned on the capital invested \sin the company. It is defined as follows:

Return on Invested Capital (ROIC) = Net profit / Invested capital

Strategic Planning Net profit is calculated by subtracting the total costs of operating the company away from its total revenues (total revenues - total costs) (total revenues - total costs). Total costs are the (1) costs of goods sold, (2) sales, general, and administrative expenses, (3) R&D expenses, and (4) other expenses. Net profit can be calculated before or after taxes, although many financial analysts prefer the before-tax figure.

Invested capital is the amount that is invested in the operations of a company, that is, in property, plant, equipment, inventories, and other assets. Invested capital comes from two main sources: interest bearing debt and shareholders' equity. Interest-bearing debt is money the company borrows from banks and from those who purchase its bonds[9][10].

Shareholders' equity is the money raised from selling shares to the public, plus earnings that have been retained by the company in prior years and are available to fund current investments. ROIC measures the effectiveness with which a company is using the capital funds that it has available for investment. As such, it is recognized to be an excellent measure of the value a company is creating. The Operating cash flow (Cash flow provided by operations) is a central and crucial concept for financial management. It measures the ability of the firm to generate, through its day-to-day operations, a flow of cash, and therefore evaluates its capacity for survival and for long term growth.

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CHAPTER 12

NAVIGATING UNCERTAINTY: THE ROLE OF SCENARIO PLANNING IN STRATEGIC DECISION MAKING

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A strong positive cash flow enables a company to fund future investments without having to borrow money from bankers or investors. The higher it is, the better it is, the more freedom and flexibility it gives to the firm to build its long term strategy without constraint \sand interference from finance as the company avoids paying out interest. A good track record of liquidity ratios could be a core competence. It could result in improved suppliers relationships as well as discounts or improved credit. This could also impact the perception of the Bankers. They would also look at loans to the organization as having low risk profile and offer funds at attractive rates to the organization.

A weak or negative cash flow shows the inability of the company to meet its financial obligations and to make the necessary Capital expenditures required to operate efficiently and produce funds for future periods. A company has to turn to external sources to fund future investments. Generally, companies in strong-growth industries often find themselves in a poor cash flow position (because their investment needs are substantial), whereas successful companies based in mature industries generally find themselves in a strong cash flow position.

Cash flow position is cash received minus cash distributed. The net cash flow can be taken from a company's statement of cash flows. A company's internally generated cash flow is calculated by adding back its depreciation provision to profits after interest, taxes, and dividend payments. Cash flow is important for what it reveals about a company's financing needs. If this figure is insufficient to cover proposed new investments, the company has little choice but to borrow funds to make up the shortfall, or to curtail investments. If this figure exceeds proposed new investments, the company can use the excess to build up its liquidity (that is, through investments in financial assets) or repay existing loans ahead of schedule[1], [2].

A company's liquidity is a measure of its ability to meet short-term obligations. An asset \sis deemed liquid if it can be readily converted into cash. Liquid assets are current assets Internal Analysis of Firm such as cash, marketable securities, accounts receivable, and so on. Some ratios that are commonly used to measure liquidity are given below.

Current Ratio:

The current ratio measures the extent to which the claims of short-term creditors are covered by assets that can be quickly converted into cash. Most companies should have a ratio of at least 1, because failure to meet these commitments can lead to bankruptcy. The ratio is defined as follows:

Current ratio = Current assets / Current liabilities

Inventory Turnover: This measures the number of times inventory is turned over. It is useful in determining whether a firm is carrying excess stock in inventory. It is defined as follows:

Inventory turnover = Cost of goods sold / Inventory

Cost of goods sold is a better measure of turnover than sales because it is the cost of the inventory items. Inventory is taken at the balance sheet date. Some companies choose to compute an average inventory, beginning inventory, and ending inventory, but for simplicity, use the inventory at the balance sheet date.

Days Sales Outstanding (DSO) or Average Collection Period:

This ratio is the average time a company has to wait to receive its cash after making a sale. It measures how effective the company's credit, billing, and collection procedures are. It is defined as follows:

DSO = Accounts receivable/ (Total sales/360)

It can also be helpful to conduct historical analysis, looking at the deployment of resources of the organization by comparison with previous years. This can help identify any significant changes and reveal trends which might not otherwise be apparent. Comparison with other similar organizations can also help put the organization into perspective.

A major concern about traditional financial analysis from a strategic perspective is that it generally has tended to exclude the impact of the operations of the organization on the community. This is also a facet of business ethics. The community is largely concerned with the social costs of an organization's activities. However, traditional accounting practices do not have any method to reflect this in the balance sheets.

There is a growing awareness of issues that relate to the community; for example, there was a major movement to oppose the use of child labor in the carpet weaving and match-box industry in India. There was opposition from foreign buyers on the use of dyes in the textile and carpet industry. These issues need to be taken into account[3].

Failure to pay proper attention to these issues could be a source of strategic weakness. Traditional Sources of Competitive Advantage are the economic / financial capability: able to produce goods or services at lower cost than competitors, and the Strategic / marketing capability: products or goods that differentiate a firm from its competitors, typically by "adding-value" or "product-portfolio mix."

Marketing and sales provide the means whereby consumers and users are made aware of the product or service offered by the organization. Marketing and Sales also provide the customer the ability to procure the product or service in a manner that they perceive a fair exchange of value.

The suggestions have to be focused on the precise approaches to alter corporate, company, and functional strategies as well as organizational structure and management to enhance business

performance. The suggestions must to be compatible with one another and in the form of an action plan, written. The plan could call for a series of activities that might alter the organization's strategy, and we should provide an explanation of how corporate-level changes would force adjustments at the business- and functional-level levels.

The aim of the case study approach is that we must be as immersed in the case as is practical and feel fully accountable for our decisions.As a result, the last step in a case study is a class debate or a presentation of our conclusions to the group. Depending on our professor's choice, one or the other of these forms is chosen. Keep in mind that we must modify our approach to fit the particular problem raised in our situation[4].

We could entirely remove one or more of the processes in the analysis since it might not be applicable to the circumstance we are investigating, depending on the case study and what is asked of us. We must be mindful of the case's requirements and avoid using the framework haphazardly. The framework is not intended to be an outline, merely a guide. For many topics, there may sometimes be little information available, while on others, there will be a lot. Concentrate exclusively on data related to important concerns while assessing each case.

Facts about the market, the state of the competition, the characteristics of the products and the markets they serve, the physical facilities, the work environment and organizational culture, the organizational structure, financial and other economic data, etc. may all be included in the information provided. Be methodical and rational when taking into consideration the facts at hand. Start by identifying operational and financial strengths and weaknesses as well as environmental possibilities and risks in scenarios involving organizational analysis. We can only evaluate the organization's strategy if we have a thorough understanding of the SWOT analysis. Given its SWOT analysis, do the organization's present strategies make sense?

If not, we must decide what adjustments must be done and attach any strategic suggestions we may have to the SWOT analysis. We need to be clear about how the chosen strategies utilize organizational strengths to take advantage of environmental opportunities, how they address organizational weaknesses, and how they fend against environmental dangers. Describe the steps necessary to put our suggestions into practice. For case analysis, many conceptual tools are needed. When we read the next chapters of the book, these resources will be offered.

Managers are just able to predict as best they can. In fact, it is thought that humans are very excellent at solving strategic dilemmas if we are only correct 50% of the time. Prahalad and Hamel via a series of essays in the Harvard Business Review followed by a best-selling book, 'Competing for the Future', introduced the notion of 'Core Competencies'. Managers will be evaluated in the 1990s on their capacity to recognize, develop, and capitalize on the key abilities that enable development; in fact, they'll need to rethink the idea of the business itself.

Internal Review of the Company Their main argument is that a company should be created around a set of common capabilities. Companies gradually build core competencies that are unique to them and essential to their long-term success. These are the firm's strong points and bring the most value to its competence while also giving it a competitive advantage. It is only feasible for the company to expand by taking use of these capabilities. Any combination of

particular, innate, integrated, and applied knowledge, abilities, and attitudes may be seen as constituting core competency[5], [6].

Core competencies are those skills essential for a company to have a competitive edge. The skill set must set the company apart from any other similarly situated enterprises in order to be recognized as a core competency. A collection of distinctive internal talents, procedures, and systems are known as core competencies. While being essential to a business's operations, standardized or widely accessible resources that do not provide it a competitive edge over competitors are not regarded as core competences.

For instance, it is not possible to classify as a core skill a process that employs a lathe to make components and is manned by individuals with relatively little experience. It is quite doubtful that such a procedure will result in a distinct edge over competing companies. With the right investment in equipment and training, it is feasible to turn such a process into a core competency. Key areas of competence for a producer of electronic equipment might be in the circuit and component design. A software company's major abilities may lie in the general usability and simplicity of the programmed they develop, in the high level of software coding they have managed, or in a mix of the two.

Key competencies might change throughout time. The company develops internal competencies via day-to-day operations and the utilization of resources it has acquired. As a result, competences are built up in accordance with firm-specific knowledge patterns. Once formed, they influence the resources from which they have been generated, changing the same resources into something different from what the corporation acquired initially. As a consequence, key skills adjust to changes in the business environment. A company's Core Competencies develop and adapt as it grows and responds to new situations and opportunities[7].

Capabilities are difficult to evaluate and need for some kind of benchmark. A variety of tools are available for evaluating skills. They will be covered in more detail later in this chapter. After evaluating the abilities, management must pay particular attention to those that really influence competitive advantage. These specialties might be in any field, but they are most likely to emerge in the crucial, core sections of the business where the most value is contributed to its output. To develop competences, the company has to examine how resources are being used. Every activity or function must be given a priority, and each action must also be given a value or cost. This stage enables the firm to assess the cost of developing abilities and to concentrate on those that are essential to the organization, such as reducing expenses to maximize business value.

The company must also create a strategic architecture that involves the development of the competences required for its primary product. The corporate center must contribute value by outlining the strategic architecture that directs the process of competence acquisition rather than merely being another layer of bookkeeping. It should combine competences across Strategic Business Units and the whole business, as well as absorb resources from strategic relationships. Strategic Planning It must list the initiatives and individuals directly related to the core competency.

The location, quantity, and calibre of the personnel, operational procedures, and technical infrastructure that constitute the core competency should be audited by corporate auditors. To further improve the core competency, core competency bearers should be brought together periodically to exchange notes and ideas. It has to foster communication while also raising engagement, requiring commitment, and offering incentives for good work.

By looking at the results it produces, one may determine its core strengths. Three criteria are suggested by Prahalad and Hamel to assist identify key competences in any firm. The following are examples of core competencies: l Provide prospective access to a broad range of markets: The main core competences may be those that facilitate the development of new goods and services, expand the network of distribution and support, improve brand awareness, etc. Significantly contribute to the perceived advantages of the final product by the target market:

The abilities that allow a company to provide a basic consumer benefit are known as core competencies. In other words, what makes customers select one product over another? Asking questions like "What is a customer actually paying for? ", "Why is the customer willing to pay more or less for one product or service than another?" and similar ones can help companies identify their core competencies in a given market[8], [9]. "Competitively unique" should be a core competency: In many industries, the majority of skills can be regarded as requirements for participation and do not significantly differentiate one competitor from another. For a competency to be considered "core," it must be something that rival businesses wish they possessed.

The greater the organization's and the customer's economic value, the more distinctive it is and the better it performs in its core competencies. The opposite is also significant; the lower the organization's economic value, the more similar its competencies are to those of its direct competitors. The company can anticipate greater market leverage and margin performance the more distinctiveness and uniqueness can be incorporated into core competencies. More customer loyalty will also grow as a result, in addition. The following is a hand-picked list of abilities, procedures, or systems that might be regarded as core competencies, though the definition of core competencies varies by industry and company.

A realistic picture of the skill sets, procedures, and systems that the business is particularly adept at executing is produced by core competency analysis. It provides a review format that is helpful in identifying the need for improvement in important strategic activities, practises, and systems, as well as helping to generate focus on the value-adding activities. Finally, it aids in the decision-making process used to choose which tasks can be outsourced. Internal Review of the Company For example, Reliance Industries has grown to be the largest private enterprise in India in the last twenty five years. Its competencies are the key to its phenomenal success.

Its project management abilities, which are arguably among the best in the world, as well as its capacity to quickly mobilise significant amounts of low-cost financing, fall under the category of competencies. Reliance was able to expand its operations to include oil and gas exploration and production (E&P), refining and marketing, petrochemicals (polyester, polymers, and

intermediates), textiles, financial services and insurance, power, telecom, and infocom initiatives thanks to these competencies at the lowest capital costs of any Indian company.

There are various sets of core competencies that are crucial to the success of the business in each company or industry. The list of critical competencies is typically not very long. But when carefully developed and chosen, this short list offers the chance to use the company's strategy. Some competencies that affect competitive strategy have been identified by Porter. Table 4.2 provides a list of them.

Products positioning of products in each market segment from the perspective of the consumer Distributor / Dealer channel selection and performance channel relationships' robustness ability to provide channel services Selling and marketing abilities in each component of the marketing mix abilities in new product development and market research Education and expertise of the Sales force Operations Cost of manufacturing: economies of scale, learning curve, equipment age, etc. Technology level of the facilities and machinery

Flexibility of facilities and equipment, Proprietary know-how and unique patent or cost advantage, Skills in capacity addition, quality control, tooling etc., Location, including labor and transportation costs Labor force climate, unionization situation Access to and cost of raw materials, Degree of vertical integration Patent and copyrights In-house capability, in the research and development process (product research, process research, basic research, development, imitation etc.), R&D staff skills in terms of creativity, simplicity, quality, reliability etc., Access to outside sources of research and engineering (e.g. suppliers, customers, contractors, consultants etc.)

Competency need not be contained within the firm. It is also possible to build up on competencies held elsewhere. The requirement in such a case is to develop the relationships necessary to access the necessary complementary knowledge, equipment, resources, etc. We should not only be able to borrow but also to internalize the skills through various alliances. Strategic advantage comes when the firm can mobilize a set of internal and external competencies that make it difficult for others to copy or enter the market. Identification of organizational competencies is essential in determining how to use them. Organizational competencies are those competencies that result in the long-term competitive success of the organization. The first step in determining the organizational competencies begins by defining market boundaries; this enables us to identify the boundaries of our competitive arena. Closely linked to that is to understand where the potential markets may arise.The next step is an analysis to identify and classify the core competencies of the organization. This tells us where we have the necessary skills, processes or knowledge for sustainable competitive advantage. This will improve our chances of success and reduce risks in executing our strategy.

The analysis involves four stages:

1. Making a list of the organizational competencies needed to provide the products services to the users.
2. Listing the organizational competencies in which we must excel to provide the quality and service demanded by the users of our products/services.

3. Listing the organizational competencies that enable our organization to provide the product characteristics or service attributes that cause the customer to decide to purchase our product rather than a competitor's (These are core competencies if they are unique to us or we perform them significantly better than others).
4. Listing any other competencies our organization possesses that create customer value throughout our product line or give us a significant cost advantage over our competitors. These are also core competencies.

After the identification has been completed, examine the basis of the assumptions used \sin identifying the competencies. This is central to this stage. Each assumption should complete the phrase. Anapproach that could make this simpler is to ask for each skill set, "What must be true for us to be successful?" Evaluate these assumptions against the current realities we face to determine if they are valid and what is their impact on our operations. There is an implicit assumption that competencies not in our lists are not relevant to our business expectations and decisions[10].

A good way to think of organizational capability analysis is to list the values of both product and services from the point of manufacturer or distribution to consumption. The framework will be able to provide us the answers as they relate to the organizational capability: Organizational Competencies Analysis provides a framework in which the core competencies of the organization can be integrated and used as critical success factors in our competitive strategy. It provides an insight into the skills, processes, knowledge and systems of the organization. It is a way to assess the value of the core competencies to the organization.

Where the Value Chain analysis is based on an outside-in approach and places the market, the competition and the customer at the starting point of the strategy process, the core competence model does the exact opposite. The core competencies model of Hamel and Prahalad is an inside-out corporate strategy model that starts the strategy.Internal Analysis of Firm process by thinking about the core strengths of an organization. Its approach to the stretch' concept can be summarized as follows:

1. The building blocks of corporate strategy are not products and markets but business processes. Products and markets are a result of business processes.
2. Competitive success depends on transforming a company's key processes into strategic capabilities that consistently provide superior value to the customer.
3. Companies create these capabilities by making strategic investments in a support infrastructure that links together and transcends traditional Strategic Business Units and functions. The portfolio perspective is not a viable approach to corporate strategy and the primacy of the Strategic Business Unit is an anachronism.
4. Because capabilities necessarily cross functions, there needs to be a champion of a capability-based strategy at the top.
5. Traditional cost-benefit analysis should not be the basis for leveraging capabilities.

This requires strategic investments across Strategic Business Units and functions.

According to the stretch concept, the essence of strategy is not the structure of a company's products and markets but the dynamics of its behavior. Management can leverage its resources, both financial and non-financial in five different ways.

a. **Concentrating Resources (Convergence and focus):** Management concentrates its resources on key strategic goals. This strategy is called strategic intent. The efforts of individuals, functions, and business converge over time to a strategic focal point. An example is the manner in which Komatsu encircled Caterpillar.
b. **Accumulating Resources (Extracting and borrowing):** Resources are accumulated more efficiently by complementing one type of resource with another to create a higher order value. In order to do so, an organization must be capable of accumulating knowledge or learning more efficiently than its competitors. It should be able to tap into technologies and not only borrow the skills but also internalize them. For example, NEC involved itself in hundreds of alliances, licensing agreements and joint ventures to multiply its own internal resources.
c. **Complementing Resources (Blending and balancing):** The ability to blend resources involves several skills including technological integration, functional integration and new product imagination. Balancing involves three capacities; product development capability; production capability (at competitive cost and quality); and distribution, marketing and service infrastructure. For example, EMI invented the CAT scanner in the early 1970s. Though EMI had a ground breaking product, it did not have complementary manufacturing and international sales and service network. Companies like GE and Siemens, with stronger distribution and manufacturing capabilities, imitated the product and made the profits. As for EMI, it had to abandon the business.
d. **Conserving Resources (Recycling, co-opting and shielding):** Recycling means using our resources in as many ways as possible. Technology and brands can be recycled. Co-option requires us to join hands with a potential competitor to fight a common enemy, while shielding resources means to reduce exposure to unnecessary risks and use our competitor's strength to our own advantage.
e. **Recovering Resources (Expediting success):** The time between the expenditure of resources and recovery is a source of leverage; the more rapid the recovery, the greater the leverage. An example is the fast paced product development programs of many Japanese companies. This strategy allowed them quicker recovery of investments and also gave them more up-to-date products so that they could compete more effectively.

Strategic Planning Creating 'stretch' requires the organization to create a misfit between aspirations and resources. Using the core competency framework, it means creating competencies that permit us to 'stretch' our resources. The objective is to organize around the chosen capability and make sure employees have the necessary skills and resources to achieve \sit-keep motivating our managers, to encourage their willingness to keep challenging their frames of reference. This is the best way for providing a relative competitive advantage.

Hamel and Prahalad illustrate the concept of stretch by giving examples from the international community: "Companies like NEC, CNN, Sony, Glaxo and Honda are united more by the unreasonableness of their ambitions and their creativity in getting the most from the least than by any cultural or institutional heritage." Corporate ambitions do not necessarily mean greater risk because risk recedes as knowledge grows; and as knowledge grows, so does the organization's capacity to advance[11].

The starting point for analyzing capabilities and competencies is recognizing that market position and market power is a result of the mastery of competencies and capabilities of competing firms. Differences in resource base rarely explain the differences in performance of organizations in the same industry.

Organizations that perform better do because of the manner in which they deploy their resources. The effective employment of resources allows the firm to develop a sum of knowledge and operative capabilities, resulting in greater competencies. Thus, competencies and capabilities result from the way the organization uses its resources to create knowledge and skills. When these competencies and capabilities are linked together effectively, they sustain excellent performance and give the organization market position and market power.

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CHAPTER 13

A COMPREHENSIVE ANALYSIS OF THE INDUSTRY: TRENDS, CHALLENGES, AND OPPORTUNITIES

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Marketing is the foundation of a good business. It is the anticipation and fulfilment of customers' needs taking account of an organization's core competencies. As customers become more demanding, their needs change, new technologies emerge and competition increases, many organizations find that they need to build or enhance their own marketing capability. Marketing capability pertains to building the right products, establishing a close relationship with the customer, and effectively marketing products and services.

The organization should have the ability of selecting its target markets, and developing and maintaining a marketing mix that will produce mutually satisfying exchanges with target markets. This requires the ability to identify to which part of the population it wants to sell its product or service, its Market Segment. The market segment is a homogeneous group of people that can be identified according to a well-defined criteria such as: Age, Frequency of Product Use or Lifestyle. The organization must have the capability to reach the target market. Target Market is the market segment of consumers whose wants or needs a firm will attempt to satisfy. Management must have an understanding of why customers make purchases and why non-customers do not. The marketing programmed should lead to a more efficient allocation of the available marketing resources.

The organization must have the capability for Implementation, Evaluation, and Control of the marketing plan itself. Implementation is the process that turns marketing plans into action assignments, and ensures that these assignments are executed in a way that accomplishes the plan's objectives. Evaluation is the method of gauging the extent to which marketing objectives have been achieved during the specified time period. Control provides the mechanisms for evaluating marketing results in light of the plan's goals and for corrective actions that will help them reach those goals[1], [2].

Marketing capability is becoming more complex. Marketing competence has changed from the traditional functional view. One area where specialized skills are becoming increasingly critical is in the tailoring of marketing programmed to consumer segments and even individual consumers. Sophisticated, demanding, and micro-segmented consumers are no longer willing automatically to place their confidence in premium-priced brands; consumers increasingly trust only their own ability to seek value. This means that marketers will have to deliver sharply articulated value to their set of consumers.

This fragmentation in demographics and user needs has impacted even the most homogenous of product categories. There are now a range of market segments within these product categories.

This has already happened in developing countries and will soon become necessary in India. The best companies in these countries are now using specialists to develop, interpret, and communicate the results of models that predict likely consumer behavior on the basis of past purchases.

Internal Analysis of Firm A few organizations are using parallel computer processing systems to gain competitive advantage in target marketing. For example, Wal-Mart has developed an advanced information system that enables it to tailor merchandise store by store. It has introduced “training" system. This system indexes each store on about 3,000 traits. Using this data, store managers can select products that reflect the unique features of their stores[3], [4].

Kraft, for example, has designed an approach to the micro-market planning called Retargeting. Geo-targeting allows Kraft to predict the potential sales of each of its products by store (on the basis of the size of each demographic/lifestyle segment in the neighborhood). For retailing and other industries, some organizations are already using consumer sales data to model, from as few as three or four transactions, the expected lifetime value of a loyal customer. This approach, which was initially developed for targeted business-to business marketers, when combined with customized research data can be used in consumer marketing. This tells the organization the way they need to go to focus on their consumer populations.

Rapid responses to changing customer demand enable Sainsbury, the UK grocer to change the prices on 25,000 items in each of its stores every day, and 7-Eleven, the convenience retailer in Japan, changes its prices hourly. This is now spreading to the USA; several US packaged goods firms are equipping their account managers with predictive models that help them estimate the likely profitability of a promotion by modelling its specific attributes against historical results for comparable programmed. As a result, promotions decisions no longer rely purely on "gut feel," but are both account specific and statistically sound.

Sophisticated direct marketing programmed are already enhancing the ability of marketers to communicate efficiently with smaller and smaller segments of the population. As information processing costs continue to fall and new decision-support systems become available, this ability will grow - but at the cost of increasingly complicated decision-making processes. The number of available channels for providers of packaged goods, apparel, durables, and financial services are increasing. Many of these channels are dominated by large, powerful, and professionally managed organizations, adding a new dimension to the complexity of the marketing task. Not only are the consumers demanding more, the distribution channels are now becoming capable of influencing and determining the role of the supplier[5].

Increasingly powerful, sophisticated, and fragmented distribution channels are demanding unique products, marketing strategies, and selling techniques. For example, a family-run store and a departmental store or supermarket sells its wares in different ways. They make completely different demands on the functions of a packaged goods manufacturer. All these changes have made the marketing capability significantly different from its historical avatar. Marketing capability that was effective when high growth, unsophisticated consumer demands, and weak distribution channels meant that each function could make real progress by itself towards

improved consumer satisfaction and greater profitability. On its own, manufacturing could cut costs and boost quality; marketing could develop better ads; and sales could improve call patterns and enhance customer presentations.

Strategic Management

This may no longer be good enough. Future marketing capability will require the company to: l Work across the value chain to develop genuinely customer-focused strategies; understand the real drivers of profitability throughout an industry's chain in order to identify which market segments to compete in and which economic levers to use to maximize a company's share of scarce industry profits. Creating a new marketing culture and changing the organization's structure from one with a reasonably basic structure to one where it develops abilities to provide value to the new breed of clients and consumers may be the greatest challenges. The skill needed by transaction-based models, which simply extrapolate from the past to ones that estimate prospective demand, is inadequate for marketers that are attempting to anticipate customer requirements. The firm's competitive strengths and shortcomings will be reasonably accurately evaluated using these new marketing tools. Focus and adaptability are the objectives[6].

The Company's Technical Capabilities

Economic growth is dependent on industrial development in emerging and less developed nations. In these nations, the secondary sector of the economy is prioritized (manufacturing sector). The organization's existing technology foundation, namely its unique technological aptitude and competence, is thus the most important competence problem. A solid match between the organization's present knowledge and the suggested adjustments it wishes to make is crucial. An awareness of the organization's technical capability is one of the crucial factors to decide this. The organization must acknowledge the numerous technology capabilities that exist and their function in the various organizational roles. This refers to the specific knowledge and abilities needed in order to develop or execute a product or service efficiently. The people and systems required to carry out the processes also contain this knowledge, which may be integrated into specific goods or pieces of machinery.

The ability of an organization to overcome obstacles changes significantly as its degree of inventive capability rises. Learning from others is a key element of technical capacity. A significant source of technical capacity is the diffusion process. A company that participates in a value chain, where a product or service may be broken down into its component parts, diffuses its expertise to other organizations. This characteristic, for instance, is present in the software business and is also present in the majority of mechanical industries. Outsourcing parts of the product or service results in the subcontractors' subcontractors' technical capabilities being improved. This approach defines technical competency as the capacity to employ technological knowledge efficiently. The approach, which acknowledges the complexity of technology, recognizes internal Analysis of Firm unique technical skills and categorizes them by highlighting the many facets of technological knowledge and its uses.

Production management is responsible for overseeing the operation of existing facilities; production engineering is responsible for providing the information necessary to optimize the

operation of existing facilities, which includes: (a) Raw Material Control, which sorts and grades inputs and looks for better inputs; (b) Production Scheduling, which coordinates production processes across products and facilities; (c) Quality Control, which monitors conformance with product standards and monitors

Pre-investment feasibility studies to find potential projects and evaluate chances for profitability under different design ideas; 1. Personnel training to teach skills and talents of all types. Project execution to establish or expand facilities, that includes: (a) Project Management, to organize and oversee the activities involved in project execution; (b) Project Engineering, to provide the information needed to make technology operational in particular settings, including: detailed studies to make tentative choices among design alternatives; basic engineering to supply the \score technology in terms of process flows, material and energy balances.

Innovation Capability: All actions from invention to innovation that are engaged in technological changes, from startling new innovations to gradual advancements in current technology, are included. There are six degrees of technical capability in this categorization. When a company descends the technical ladder created by various technology kinds, its degree of technological aptitude rises. The ability to duplicate an existing product via reverse engineering. For instance, the Sharp Corp. acquired a crystal radio set from the America in 1925 and created Japan's first radio, the Sharp- Dyne, by reverse engineering it. Product Innovation: New ideas that result in the creation of new goods or upgrades to already existing ones. The improvements could be subtle, structural, modular, or revolutionary[7].

1. **Process innovation:** Enhancements to the production process, including the integration of stages to shorten cycle times or reduce the number of process types, increase manufacturing process yields, etc.
2. **Application Innovation:** The use of an established concept or idea in a new application, or a fresh approach to a design, a methodology, or a measuring technique. On occasion, it might significantly enhance current items and procedures. For instance, Nylon was developed into a material for tire cords.
3. **Systems Innovation:** Innovations that integrate many innovations and sub-subsystems. This may be achieved by connecting or integrating a number of different subsystems and incorporating novel products, processes, and applications. By eccentrically eccentric zing the wash/rinse operation of washing machines, fuzzy logic may be used, for instance, to enhance continuous cold rolling mills in the manufacture of steel such that they can resemble hand washing.
4. **Core Competency using innovations:** The capacity to make use of and improve inventive activity in one's core competencies. The capacity of an organization to innovate throughout all stages of the innovation process, including design, engineering, testing, and production, is its core competency the horizontal extension of core competencies into a new field; the fusion of core competencies in several fields.

For instance, Rohintan Aga's Thermax utilised its technical expertise in tiny boilers to leverage advancements into the product's inlet and outlet sides. Thermal grew into water treatment on the intake side before expanding into polymer resins as it gained proficiency in water chemistry. It

used this expertise to the nuclear and pharmaceutical industries, as well as the recovery of valuable metals. Thermax developed into new companies in energy production and energy conservation on the outlet side as it improved its heat transfer capabilities[8], [9].

Another example is Hitachi, which was able to develop and manufacture 1 MB of DRAM in 1985 and 16 MB in 1990. Hitachi then created the biggest Ga-AsP (Gallium Arsenide Phosphide) single crystal in the world and used this technology to thermostatic ceramic fabrics and satellite transmission. By doing so, it brought together key skills in chemical, textile, and space technology.

The categorization of technical competence is crucial because it enables the company to periodically assess where it is on the continuum of technological capability. As a result, it is able to make the choices required to keep developing its capabilities. The capacity to innovate grows along with technical competence. More expertise and knowledge are added to the company as its capacity for innovation grows.

Competence cannot be purchased off the shelf; it must be nurtured, fostered, and developed through time. Because of this, corporations are restricted to taking certain paths or trajectories depending on their prior experiences. A sound management guideline is "to be successful, acquire and absorb competence before applying it." Going into new sectors has a larger risk.

The greatest degree of technical capacity is shown by businesses with the ability to exploit their core expertise. For competitive advantage, organizations often require guidance on where to target their creative efforts. A large amount of research supports the idea that innovations have a higher chance of success if they complement the firm's skill set. The issue of poor communication across various company activities is another one. The company will find it simpler to discover, update, and develop its technology competences if there is cooperative divisional contact. One way to do the activity is via a technology audit. Both senior management and the tech personnel are required to participate.

The procedure starts with the introduction of tools for determining technological requirements. After that, the participants fill out a survey to help researchers answer some of the following questions: Technology auditing needs the support and involvement of high management to be used effectively. It works best when a task group made up of employees from several firm departments coordinates the process. A coordinator should implement the technique with the help of a qualified consultant.

If senior management makes a commitment of some kind to implementing audit recommendations and repeating audits on a frequent basis, the process is enhanced. The complexity of organizational systems has increased, challenging traditional management standards. The formation of business units, such as strategic business units, virtual structures, and strategic businesses, etc., each with its own internal value chain, helps companies become more focused as they grow more complicated[10].

Organizations must become more competitive and improve their capacity to react quickly to events despite their complexity. The capacity of a company to coordinate the actions of each of

its constituent parts with the aim of attaining its strategic goals is known as strategic business alignment. It is based on a shared vision and knowledge of what the business intends to accomplish and why, as well as ownership by all stakeholders. In the contemporary corporation, it takes the position of the management and IT capabilities notions. Aligning Your Company Strategy The contemporary company has the capacity to use capability to reconsider accepted beliefs about consistency, conflict, and leadership. The strategic alignment of the various business divisions has grown to be essential to developing management skills.

The capacity of an organization to coordinate the activities of each of its constituent parts in order to accomplish its strategic goals is referred to as strategic business alignment (SBA). Strategic Planning SBA is based on a shared vision and knowledge of what the business wants to accomplish and why, as well as ownership by all stakeholders. Organizational control, performance measurements, and short-term responsibility are the driving forces behind SBA, but the emphasis is on creating and maintaining a work environment that supports productive collaboration.

Most commercial organizations priorities giving shareholders an appropriate rate of return given the aim of increasing stockholder value. The risk associated with the borrowings and the skill with which they are handled are two further factors that attract banks and other funders of the organization. As a result, risk management becomes a key factor in determining if an organization's plan is acceptable.

The end result of an organization's interconnected operations including product creation, customer acquisition, manufacturing, procurement, and human resources management is what is known as stakeholder value. These actions create value in a hierarchy. The diverse needs of the targeted stakeholders are likewise driven by the processes. Resource allocation determines how an organization may balance the deployment of sufficient resources to each of these processes and companies[11].

By defining the diverse mix of resources and competences as well as the distinctive resources and core competencies on which competitive advantage will be based, resource configuration aims to build capabilities for the future. By doing this, it benefits from the organization's expertise and safeguards its distinctive resources. By combining various organizational resources and activities and managing connections with clients, etc., it specifically configures the resources and skills for the future that will need to be generated.

The relative relevance of resources and abilities in the strategy's execution will be determined by the strategy. A distinctive resource might be established distribution networks. The capacity of the company is often found in human competency and is not technically held by the organization in many knowledge-based enterprises, such as software houses and biomedical companies.

To develop competences, the company must be able to combine the right balance of resources. The ability to successfully combine and integrate several sets of resources determines the possibility of maintaining a competitive edge. Since other firms are likely to copy the leaders and catch up via their own learning, using experience is crucial to maintaining a competitive edge.

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CHAPTER 14

CRAFTING A WINNING STRATEGY: A FRAMEWORK FOR STRATEGY FORMULATION IN DYNAMIC ENVIRONMENTS

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Four important things need to be taken into account while creating a competitive strategy. What a corporation can effectively do depends on these variables. The organization's internal elements are its assets and weaknesses. The variables that are external to the company include the industry prospects and risks, as well as society expectations, and its strengths and the values of its important individuals. These elements work together to provide the framework and boundaries for the competitive strategy that a corporation may effectively use. By examining the suggested aims and policies for consistency, it is possible to establish if the competitive strategy is suitable. Every process of decision-making may be reasonable in a neat, logical universe. Options would be found and chosen entirely analytically. This isn't always the case. It takes a lot of work to identify and assess choices before using them to develop a plan.

Strategy Development any of the choices might vary from how things really turn out. Unexpected occurrences might ruin anticipated possibilities, produce new ones, or change the relative benefit of opportunities. The outcomes can ultimately rely just as much on luck and opportunity as on the conscious decision. The success or failure of an organization is also greatly influenced by luck and inspiration. Effective strategic management is still too little understood to be properly modelled, making it more of an art than a science.

Many diverse factors are responsible for the development of strategic decision. Collaboration between organizations produces ideas and practices. As businesses trade and collaborate, they can't help but learn from one another. Competition and conflict also accelerate the development of strategy. As managers attempt to outsmart or defeat formidable competitors, new concepts and procedures emerge. The old are often reinterpreted in new ways. Old strategic concepts, like the mixing of old and young malt whiskies, subtly permeate contemporary techniques, so they never really go. Fourth, managers' inherent inventiveness drives strategy forward since they look for innovative methods to accomplish tasks[1], [2].

The selecting procedure is when strategy really gets down to business. The organization's vision informs the choice of strategy. It fits with the organization's objectives and purposes. To achieve long-term performance, companies use techniques to match their internal resources with external needs. These results provide the foundation of a viable plan.

The connection between strategy choice, strategic intent, and the strategic evaluation procedure. Strategic intent, strategic evaluation, and available choices are represented in the illustration as three circles. The objectives a firm might properly pursue are to some degree shaped and even constrained by strategic decision. When the three logical components intersect is where the

logically sound plan appears. The different needs of purpose and evaluation are most completely satisfied if all three circles meet. Any two circles' shared space is of some relevance. Figure 5.3 explains how this works. There may be viable solutions that are not in line with the strategic goal when any two circles intersect. This can make it necessary to reevaluate the strategic purpose. Alternatives that are not realistic may seem very alluring and may have strong proponents, thus it may be necessary to thoroughly justify their impossibility with convincing facts.

Another scenario is that they are in alignment but have not been determined to be practical. It will be required to accurately record all the assumptions and the analysis of why the choice was determined to be impractical in this instance as well. Sometimes, making decisions about what to do and what to do not are equally crucial. The organization's goal is to provide a higher rate of return on investment for the organisation. The idea behind achieving this goal is that businesses gain a competitive edge by giving their consumers what they want or need more effectively than rivals and in ways that are challenging for them to copy. So, the organization's best plan will eventually be distinct and reflect the individual challenges it encounters[3].

Organizations have developed a variety of offensive and defensive strategies to combat the five competitive forces and protect their place in the market. Whether a company's profitability is higher or lower than the industry average depends on where it stands in relation to other businesses in the same sector. Sustainable competitive advantage serves as the essential foundation for long-term profitability that is above average. Low cost or distinctiveness are the two main categories of competitive advantage that a company may have. Three internally consistent generic competitive strategies may be utilized by the organization to outperform the competition and protect its position in the industry given the two fundamental forms of competitive advantage and the range of activities through which a business aims to attain them. Cost leadership, differentiation, focus, and niche strategies are some of these tactics. There are two variations of the focus strategy: cost focus and differentiation focus. The following explains these tactics. Any of the general competitive strategies often demand complete dedication and resolute organizational backing to be implemented successfully. When the corporate level strategy and the company level strategy are in sync, this occurs.

By lowering its economic costs below those of its rivals, a company that is pursuing a cost-leadership strategy seeks to obtain a competitive edge. If implemented, this programmed offers substantial margins and an exceptional return on investment. The abilities and assets needed to implement this plan successfully include consistent capital expenditure, availability to money, excellent process engineering expertise, effective management and employee motivation, easily manufactured products, and low-cost distribution systems. The company makes a concerted effort to create effective economies of scale via the use of specialized machinery, expensive plant and equipment, and skilled labor[4], [5].Tight cost management is necessary with this method. A comprehensive costing approach or activity-based costing with regular and thorough control reports are often used to achieve this. The organization's structure should be distinct, and roles should be well defined. Companies often provide rewards for achieving exact quantitative goals, etc.

The company makes an effort to stay a cost leader by avoiding anything that could have an impact on economies of scale. It must function under the constraints of an efficient scale, employee motivation, and, sometimes, a regional concentration on certain markets and suppliers. Black & Decker, Texas Instruments, and DuPont are companies that are known to have implemented this method effectively in a number of their industries.

The low-cost producer strategy performs best when customers are numerous and have a sizable purchasing power; price competition between rival sellers is a dominant competitive force; the industry's product is a standard good that is easily accessible from a variety of sellers; there are few ways to achieve product differentiation that are valuable to customers; and customers have low switching costs when switching from one seller to another and are likely to shop around for the best price.

A low-cost leader is best positioned to establish the market price floor, and this tactic offers alluring barriers against rival forces. Because of its cheaper expenses, it may continue to generate returns even after its rivals have squandered their earnings via competition, giving it an advantage over rivals. The only way big purchasers can influence prices is by lowering them, and only the next most effective rival will be able to do this. A lower cost offers protection against suppliers since the company is better equipped to deal with changes in input costs. Since economies of scale are needed to attain low prices, any new entrant will have a tough time breaking through entry barriers because the strategies used to obtain them are both uncommon and expensive to replicate.

This method comes with a variety of hazards. These dangers stem from the rapidly evolving corporate environment. The biggest threat to the leadership's bottom line is technical change that invalidates prior investments or organizational learning. It may be a serious disadvantage when management is unable to see or foresee adjustments that are necessary as a result of market or product developments. The firm's advantage may potentially be offset by low-cost industry entry-level training or increase in the price of the materials or procedures that provide the organization a competitive edge[6], [7].

With a differentiation strategy, a company aims to stand out from the competition in specific areas that are highly regarded by customers. It chooses one or more characteristics that many customers in a certain industry deem crucial, and then it strategically positions itself to satisfy those demands. Customers will choose the company's product or service over competing brands due to differentiation. A company using this technique might anticipate increased economic performance and improved revenues/margins.

Finding strategies to stand out that provide value for customers and are difficult for competitors to imitate or duplicate is the issue. Whatever a business can do to provide value for customers might serve as a foundation for difference. Products and services may be distinguished by their features, links between functions, timing, location, and convenience, as well as their product mix and relationships with other businesses. Effective differentiation establishes barriers to the five competing forces. Since consumers are devoted to a brand, it insulates from competitive

competition and hence has a reduced price sensitivity. Customers' loyalty also acts as a deterrent to future competitors who must overcome the novelty of the product or service.

If customers appreciate the unique Strategy Formulation goods and services, rivals are unlikely to adopt a similar strategy. If they do, they will find themselves in a losing scenario. The strategy's better returns provide it a larger buffer to cope with supplier power. As there are no similar alternatives, buyer power is reduced. And last, a business that has distinguished itself in order to win over customers' loyalty should be more equipped to compete with alternatives than its rivals. DaimlerChrysler in automobiles, Bose in audio systems, and Caterpillar in construction equipment are a few companies that have used this method successfully.

If the actions done to establish uniqueness are uncommon and expensive to copy, competitive advantage via differentiation is sustained. The differentiation tactics that are least susceptible to fast or cheap replication are the most desirable ones. When differentiation is built on technological supremacy, quality, providing clients with greater support services, and the organization's core strengths, it is most likely to establish an alluring, long-lasting competitive advantage[8], [9].

The following abilities and assets are necessary for differentiation: Strong marketing skills, Product engineering, Creative flair, Corporate reputation for quality or technological leadership, Strong cooperation from channels, Strong coordination among functions, Amenities to draw highly qualified labor, scientists, or creative people.When there are several ways to distinguish a good or service from another, and consumers appreciate those distinctions, or when consumers' requirements and uses for the product are varied, differentiation strategies are most effective[10]. When fewer competitors are using a comparable sort of differentiation technique, the strategy is more successful. As the expense of distinction becomes too much or when consumers grow more educated and the demand for uniqueness decreases, there are hazards associated with this approach.

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CHAPTER 15

COMPETITIVE ADVANTAGE AND MARKET LEADERSHIP STRATEGIES OF INDIAN COMPANIES

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Strategy plays a vital role in companies for its sustainability and growth. Major issues of strategy are being discussed at national and global levels and research being undertaken to understand what makes some companies outperform their industry peers. It is argued that companies need tools and techniques to excel in an industry but more important is \show to formulate and implement strategies as also what kind of management practices to be followed. A large body of literature is available throwing light on various strategic issues for companies to excel in an industry. They are either cost leader or producer of differentiated products. They accept the challenges of global competition by innovation and strategic dynamics. They capture global market through joint ventures, mergers and acquisitions. They try to make their present felt in the global market. However they have to struggle hard to compete with other global players.

Many IT companies are growing in terms of sales, man power, and skills. Indian companies are becoming part of the world reputed IT projects. What are the growth strategies of successful Indian IT companies? Indian IT companies' revenues are increasing every year after the US economic slowdown in 2000. Every year Indian IT industry is reaching the software export targets projected by the NASSCOM. Many IT companies are growing in terms of sales, man power, and skills. Indian companies are becoming part of the world reputed IT projects. What are the growth strategies of successful Indian IT companies? How are they getting more business every year in spite of the tough competition from China? How are they becoming profitable? How are they able to retain their employees for long term? How they are able to deliver good quality turnkey solutions.

Strategic Planning I think people are first assets to any company. It is the human capital which is giving maximum returns to any company. The skilled man power and the education system India is having are the greatest assets. The young engineers in India are very flexible in learning new technologies and they are hunger for technology and technical developments[1]–[3]. Indian software engineers welcome new technologies and they accept change, which is an advantage to IT companies. Indian IT companies are heavily investing in training young engineers. As we know technologies change fast. To catch the new technical projects, these companies should be ready with the latest skilled technical man power.

Quick learning capabilities of these engineers is also an advantage to these software services firms. Once you have the man power available in the latest technologies, it is easy to bid the projects in those technologies. One of the growth strategies of Indian IT services firms is acquisitions. In the recent past many Indian IT companies acquired companies in US and Europe

which are having the good customer base so that they can get more business from US and Europe. For example, US based Nerve Wire was acquired by Wipro Technologies. If you look at the global player Cisco, It is best example for Mergers & Acquisitions. It has acquired hundreds of companies having related products.

Another growth strategy they are following is diversification strategy. Some IT companies are having plans to enter into biotechnology area. Companies like Satyam, TCS and Wipro are already into Bioinformatics. And many IT companies are following the chain. Satyam started their development center in China and Dubai. Majority of Indian software houses are becoming MNCs by starting their development centers abroad. They are recruiting diversified workforce. Infosys is going to global business schools to recruit their management graduate[4], [5].

Companies like Infosys and i-Flex are entering into IT products segments with their banking products to the global markets. These IT companies are diversifying their customer base. They are not dependent on single customer. Also these IT companies are diversifying their services offering to the customer. Earlier they were into maintenance and manpower supply to the western IT customers. These days Indian IT companies are providing offshore facilities, project management, and program management, design, and architecture services also. In fact, Infosys is providing complete business solutions to the customer by providing management consulting services through their business consulting venture and IT services through their traditional software business.

According to NASSCOM President, Kiran Karnik's Paper titled Dreaming of a new India published in The Times of India, now every global company is having "India Strategy". Now let us see other side of the spectrum. According to the Paper published in recent Business Week, 16 Jan 2006 Issue, Subcontinental Drift written by Nandini Lakshman, there are around 30,000 foreign workers in Indian IT and ITES companies working in India. This number is triple the number of foreigners in India which is two years ago. People from European countries are coming and working in Indian IT enabled services companies in Metro areas. Majority of them are language experts in Spanish, Finish, French, and German. Many foreign programmed and business managers of global IT companies like IBM are working in India. Indian IT industry is attracting many foreigners to come and work here.

There has been a large amount of international work focusing on the various aspects of ownership structures and strategies adopted by international business groups. In the Indian literature, we found little work, especially with respect to case studies. In this paper, we use public information of a well-known business group (the Tatas) passing through a major restructuring and document the development of ownership structure[6], [7]. The country's second-largest conglomerate, the Tata group, with year 2005 revenue of over Rs. 80,000 crores (US$ 20 billion) and core interests ranging from steel, cars and telecommunications to software consulting, hotels and consumer goods, has come a long way since JRD Tata passed the dynamics mantle to Ratan Tata, in 1991.

We examine the interrelation of ownership structure, corporate strategy, and external forces for one of the largest conglomerate from India. In all Tata group affiliates, control is enhanced

through pyramidal structures, and cross-holdings among affiliates. This case study on the oldest business empire also explores the rationale behind these moves and examines the tensions and complementarities between stronger ownership ties among group affiliates. While bridging ties among group affiliates does benefit the new dynamics in creating a more cohesive business group yet the findings hold enough water to conclude that these moves are contradictory to the interests of the minority shareholders in the individual operating companies (i.e., its own affiliates) (i.e., its own affiliates).

This entails entry into new markets with new products. There is an underlying struggle for supremacy between the management capabilities of the organization and the discipline of market forces. Market forces try to divide organizations into smaller entities so as to achieve the economist's ideal of a perfect market with a large number of small operators defenseless against the forces of competition. In contrast, corporate managements try to grow and diversify fighting market forces so as to achieve high profits and be able to control their own destinies. This conflict is the basis for the theory of diversification[8], [9].

Strategic Planning Diversification, as a strategy, has had a roller coaster relationship with business. In the 1970s, diversification was the essence of strategy. Organizations tried to diversify in order to minimize risks in their product portfolios and enhance their capability for unlimited growth. Problems in many organizations that followed this dogma, created a new concept of strategy - core competence. Organizations that adhered to this dogma missed the opportunities that were opening up around the globe as markets and technologies converged to create huge new businesses. Since the late nineties, this has brought in a renewed interest in diversification.

When does one diversify and to what extent? Perhaps the answers lie both in the market \sand the organization. When the organization has a high level of organizational capability, \sit can bring the market into submission and thereby diversify and earn sustained high profits. As the markets become stronger and more efficient, when competition is high, capital markets are efficient, and labor markets are more flexible, organizations require higher levels of management capability to protect their diversity. Diversification is an exciting option for those who have the management capability.

Related diversification is called concentric diversification and unrelated diversification is called conglomerate diversification. The rationale behind the conglomerate diversification decision is that there is a minimum common denominator and some degree of synergy with the original business, even if the diversification is unrelated. Examples of synergy are the ability to share facilities-a sales force, for instance-or reducing the risk profile of the organization by creating a balance in the timing of cash flow, etc. More generally, diversified businesses grow faster and growth tends to be greatest if the diversification \sis unrelated. However, related diversifications tend to be more profitable.

Finnish producer Nokia leads the world in sales of cell-phone handsets. When the telecom industry crashed in 2000, Chairman Jorma Ollila invested heavily to turn Nokia into a major mobile phone software player. Under his leadership, the organization licensed its interface

software to cell-phone competitors. It also invested heavily in billing and messaging service software. The acquisition or internal development of a business outside of, but in some way related to a company's existing scope of operations. Related diversification again divides into backward, forward, and horizontal integration. Backward integration is a move towards suppliers and raw materials in the same overall business. An example of this would be a brewer acquiring malting facilities or growing hops. Forward integration is a move towards the market place or customers in the same overall business. An example of this would be a manufacturer acquiring retail outlets or a hop grower beginning to brew his own beer. \sl Horizontal integration is a lateral move into a closely related business such as selling by-products.

The fundamental role of diversification is for corporate managers to create value for stockholders in ways stockholders cannot do better for themselves. The additional value \sis created through synergetic integration of a new business into the existing one thereby increasing its competitive advantage. Means of achieving diversification include internal development, acquisitions, strategic alliances, and joint ventures. As each route has its own set of issues, benefits, and limitations, forms and means of diversification can be mixed and matched to create a range of options.

All organizations benefit from committing themselves to a strategy that describes the value that an organization intends to produce, the means it will rely on to produce that value, and how it will sustain itself in the future. The most well developed and commonly relied upon models for developing organizational strategies come from the private sector.

Yet, these models fail to take account of two crucially important features of the strategic problem faced by nonprofit organizations and governmental bureaucracies: first, that the value that these organizations produce lies in the achievement of social purposes for which no revenue stream is readily apparent rather than in creating wealth for shareholders or satisfaction to customers, and second, that nonprofit and governmental organizations receive revenues from sources other than customer purchases of products and services. An alternative strategy model developed for use with government organizations focuses the attention of managers on three key issues: public value to be created, sources of legitimacy and support for the organization, and operational capacity to deliver the value.

This alternative strategy model seems to resonate powerfully with the experience of nonprofit managers precisely because it focuses attention on social purpose and on the \sways in which society as a whole might be mobilized to contribute to social purposes rather than on the financial objectives that can be achieved by selling products and services to markets.

Strategic Management Strategies that will stop the organization's decline and put it back on a successful path are called renewal strategies. There are two main types of renewal strategies: retrenchment and turnaround. The history of post-independence industry in India can be divided into three periods. The different phases are identified as: (a) 1947 to 1980; (b) 1990s: Post Liberalization; and (c) 2000s: Emergence of world class organizations.

Competition law, trade, investment and technology development came under the purview of Government policy. Government provided licenses, permissions for increases in capacity,

determined taxes and duties, and used these as incentives in achieving its objectives. Business organizations were constrained, controlled and protected by the Government.

Business houses organized themselves such that there were four different classes of group companies. They evolved a unique system of control. The owners made an initial investment into a company or a group of companies. These companies invested in other companies and the other companies invested in yet other companies, thus creating a chain of control. The relationship between companies of a group evolved into a complex chain system. The controlling power was with the family[10].

These corporate groups, although diverse in size and control showed similarities in their strategies. They used different options to enter into as many areas as they could. They grabbed licenses, either directly or through proxy to preempt competitors entering the market. After obtaining licenses, monopoly houses instead of producing more, controlled production levels, thereby creating artificial shortages and increasing prices and consequently his profits. They used a strategy of Joint Ventures to access new technologies through foreign collaborations, etc.

1990s - Post Liberalization: Operating in the licensing raj environment, almost all the Groups had acquired extensively diversified portfolios of businesses by business groups. It was difficult to manage and control such diversified business portfolios efficiently. Divestment strategies were used by many of the existing business houses of Business Groups did not bring in professional management, which brought about their decline. The decline in the older groups also led to the emergence of new business groups. During the early years of economic liberalization, the new business groups started diversifying into unrelated areas of business.

Emergence of world class organizations: Imported goods competed with local products. The entry of multinationals into the markets resulted in a massive increase in competition. Many organizations in the Indian corporate sector heeded the warning. Many organizations consolidated their position through financial restructuring. The corporate sector invested more on technology flows, often tied with equity. Firms made efforts to improve manufacturing capability through building alliances and initiatives within the firm. Product differentiation strategies were used to build brand images that were capable of standing up too internationally recognized brands.

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CHAPTER 16

THE EVOLUTION OF STRATEGIC THINKING IN INDIAN ENTERPRISES: A HISTORICAL PERSPECTIVE

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Development of the Indian industry is an excellent example of how the forces of change and level of competition impact strategic thinking. "World Class in India" has carefully chosen from a cross-section of industries in different sectors that range from family-run Strategies of Leading Indian Companies to multinational corporations to Government enterprises and developed their case histories.

Their extensive research shows how companies have transformed themselves from the bottom to the top; revamping their strategies, organization, and management, to become 'world class' organizations. While the world around us was changing, India spent nearly 40 years after independence \sin a state of economic hibernation. This period, perhaps, was not wasted. During this period, India created an infrastructure, a healthy capital market, and many of the skills necessary to compete internationally. However, the industry focus was on internal markets. From the point of view of the changes that were taking place around it, India was left behind. As 'change' became increasingly frequent, it made it increasingly difficult to define a strategic direction for Indian organizations.

Increasing competition, forces of globalization, the regulatory environment, customer choices, innovations and technological changes, had created a future that often defied prediction. In the emerging era of rapid, systemic and radical change, organizations required flexible, systemic and dynamic approaches to keep pace with the changes. The sold linear and static approaches required rethinking. Business organizations needed to change continuously and very often transform themselves[1]–[3].

Indian business organizations have the potential to change pace or to transform to effectively compete in world markets. They can do this through strategic management, by defining new paths whereby organizations can realize their goals. Strategic management has a horizon that is long term, and it tries to maximize the effectiveness of the limited resources of the firm. It helps the organization to focus its energy, to work towards its goals, to assess and adjust the direction in response to a changing environment. It provides a dynamic process of aligning strategies, performance and business results. It is a disciplined effort to produce decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. This is an introduction to the development of strategic capabilities in Indian organizations.

The objective is to provide insights into issues that matter and the challenges that change the manner in which strategy is formulated. We will begin with the history of the Indian Industry,

starting with Independence. We will examine the development of the Indian business ethos through the different periods up to the present. Then we will briefly examine the challenges before Indian Companies and what are the resulting changes in strategic thought required for these organizations to become world class.

The scope and effectiveness of modern business strategy in shaping the survival and growth of the business organization in a competitive environment is determined by the degree of freedom the organization has in influencing its own future. In India, these conditions were not always there. If we were to look at Indian Industry from independence, this period of six decades is clearly sub-divided into three identifiable phases. Each period saw developments and changes taking place and the industry related to the changes in a manner that ensured survival and growth of the business enterprise.

Each period saw developments and changes taking place and the industry related to the changes in a manner that ensured survival and growth of the business enterprise. The period from 1947 to 1980 was the era of license raj, we have called 'post-independence'. The phase of 'economic reforms' was witnessed in the 1990s and the \s2000s. The 1990s brought in transformational changes in Government policies through economic liberalization. The present phase, the twenty first century, brings to Indian industry a challenge it cannot ignore - industrial transformation, both incremental transformation and radical transformation[4].

Soon after India obtained independence, the Government of India passed the Industrial Development & Regulations Act (1951). This Act was based on a planned economic growth model. The Industrial Development & Regulations Act (IDRA) required licensing for industry. The Government assumed the responsibility of controlling the direction of investments and growth.

This was an era of policies; Government policies and corporate policies. Strategic options were limited. Competition law, trade, investment and technology development came under the purview of Government policy. Government provided licenses, permissions for increases in capacity, determined taxes and duties, and used these as incentives in achieving its objectives. Business organizations were constrained, controlled and protected by the Government. The business policies of the firm were limited and determined by the regulations and policies of the Government. A parent-child relationship evolved in which business houses would indulge the parent and be rewarded with licenses and capacity enhancement permissions.

The Constitution of India, made industries a state subject, giving the Centre the power to bring "industries, the control of which is declared by law to be expedient in the public interest" under its purview. Independent India started with governance based on a socialistic model for development and growth. Planned economic growth was the goal[5]. Therefore, the power vested in it under the constitution was used to bring industries under the purview of the central Government.

IRDA provided for development and regulation of major industries, by promoting a balanced growth and optimum use of available resources and infrastructure through a licensing regime. The license was issued on the condition that the licensed undertaking took effective steps for

implementation of the license agreement; it conformed to the environmental laws of central and state Governments and local regulations regarding zoning and land use regulations. The main provisions of the Act were:

The Central Government, if it so wished, could: regulate supply and prices notified order under Section 18-G (1) of the Act. Orders made under this section could not be challenged in any court, as per section 18-G (4) of the Act. The Central Government could order full and complete investigation of any industry or industrial undertaking for a number of reasons. After making its investigations, the Central Government could issue directions for regulation of the specific enterprise.

It also provided mechanisms for investigation by the central Government in cases of mismanagement and maladministration. The IDRA also described the provisions for liquidation, reconstruction of industries and other laws and bye laws as required. It imposed strict regulations on entry and exit of both domestic and foreign firms in most sectors of the economy. There were strict controls on the exchange rate and flow of foreign capital into India. Unions dominated labor markets, and firms were severely restricted in their ability to fire workers or close down loss making operations[6], [7].

The role of the Business Houses under the British dispensation was largely similar to agents and this mental framework remained largely unchanged. The Managing Agency form of governance had been introduced by the British; this was the organizational form in which most Indian business groups followed.

Led by authorities that demanded obedience and loyalty, these business families were usually known to be epitomes of a top-down approach. Middle managers were seldom empowered to make decisions. The top management mainly consisted of family members or a close cabal of trusted friends. They decided strategy and fostered a corporate culture that encouraged managers to focus on retaining the family's control rather than maximizing the value for the shareholders. Professional managers had limited powers \sand were generally responsible for implementation of the group strategies and were expected to obey orders. Business Houses were also familiar with dealing with a working class movement, which was largely unorganized, and their objective here was to ensure that labor remained cheap. Therefore, industry was not a preferred employer, and employers found difficulty in recruiting the high quality human resources that industry needed.

Parta is a manual system that determines input costs and the daily cash profits as compared to budgeted profits. The organization draws up a series of informed estimates of how much it should cost to manufacture a particular volume of production, sell it and meet a profit target based on this estimate. The amount of capital it takes to support the manufacturing is also taken into account. Three bodies were constituted to oversee the implementation of the 'parta' system: the first was a board of directors, the second was a group of line officers - CEOs, and the third was comprised mostly of CFOs. The CFOs in most cases did not report to the CEOs of their own companies. The tradition developed in the 'parta' system was that all financial managers are

accountable for very specific targets based on capital expenditure and accountable directly to the top[8], [9].

The principles of the 'parta' still influence the accounting and financial structure of the industries run by the Birlas. As recently as 2001, Kumarmangalam Birla hired the Boston Consulting Group to install its Cashflow Return on Investment (CFROI) metric, which functions as a kind of computer-spreadsheet era version of 'parta'. This new system of parta' is being installed in many companies of the Aditya Birla Group (companies controlled by Kumarmangalam Birla). Interestingly, the current financial control approach in strategic management is similar to the 'parta' system.

Often, the head of the conglomerate was a charismatic father figure who was intimately involved with the affairs of the company. This period produced some stalwarts like G.D. Birla, J.R.D. Tata, Purushottamdas Thakurdas and Lala Shree Ram - all charismatic men of vision and a spirit of enterprise. This, to a large extent, led to a corporate culture of parent-child relationships between the headquarters and the operational units, similar to that between the Government and industry. The power centre lay at the corporate headquarters, with the parent. There were limited powers at the operational levels - the relationship was that of a benevolent parenthood.

The data on ownership patterns in Indian public companies, which is applicable in today's business environment also, clearly highlights two issues. First, India continues to exhibit features of the 'business house' model. Founding families continue to not only own large share packages but also maintain control by virtue of their direct shareholdings, interfamily cross-ownership links and passive support by domestic public financial institutions. Second, ownership in Indian companies tends to be concentrated in the hands of promoter families, domestic institutional investors and foreign institutional investors. Although the Indian public increasingly participates in share ownership, the ownership in India is seldom separated from control.

The ownership pattern has often been cited as a reason for the poor standards of governance in companies owned by the business houses. Government restrictions and the social ethos of that period also played a part in stunting development of contemporary thinking. The standard of corporate governance was poor. Auditors were appointed more for their discreetness than for their professional skills; financial consultants were \soften paid to suggest means to work around legal provisions. Accounting disclosure norms-for the benefit of external investors-were generally poor. The corporate boards were known for their submissiveness and fully abided by the recommendations of the family[10].

Years ago, the Textile Enquiry Committee demonstrated how the management of the once prospering cotton and jute textile mills turned them into sick units by syphoning off funds to other family-owned subsidiaries. This behavior became systemic in spite of the stalwarts of Indian industry. This was sad state of affairs for a country that had gained independence under the leadership of Mahatma Gandhi and where simplicity and sacrifice were seen as the values of the country. Great businesses are driven by the notion of creating and maximizing their stakeholder's wealth. Indian business houses had yet to evolve to this stage.

The Indian market was virtually a closed economy. It was a market of opportunity, a market with limited product offerings, with little or no competition. Business houses focused on this market to grow their family's wealth. They could do this by using their imagination and ingenuity to control and manipulate the market. Many business houses found ways to influence the rules. They evolved creative and unbelievably inspired systems whereby they could minimize the impact of the restrictions imposed on the growth of their business empires by the Government. Strategies were devised to enrich the parent companies and thereby the family business houses.

There were some exceptions. For example, J.R.D. Tata, the head of the Tata business group emerged as a charismatic figure. He developed and encouraged professional management in the Tata Group of companies. He wanted professionalism to reflect the essence of the Group. This desire for professionalism was perhaps an exception to the rule. Siemens' vision of good governance, entering markets that were not yet in existence, innovation, and rapid growth, were generally missing in the ethos of Indian business houses. It was only in the face of extreme competition that stakeholder interests came to be recognized much later.

In a competitive environment, the degree of freedom the organization has in influencing \sits own future is extensive. These conditions were being continually weakened in India, following the 1957 foreign exchange crisis. Quantitative restrictions on imports, industrial licensing and foreign exchange controls were progressively tightened and expanded. As the restrictions tightened and expanded, the scope and effectiveness of business strategy in shaping the survival and growth of the organization became limited. However, the ingenuity of the Indian mind prevailed. Indian business houses evolved their own strategic options. Strategic options, though complex, were focused on collecting economic rent by impacting Government policies to the benefit of the business family.

Indian companies, based on the Managing Agency concept, developed an ingenuous and brilliant strategy of control. It not only allowed the initial investors to control their companies but also provided leverage for new investments. It confounded the Government in identifying the antecedents of the company when licensing was required.

We can visualize the patterns of control by considering Business Houses comprising of four different groups. The owners made an initial investment into a company or a group of companies. This group, denoted by "A", was the "Core Group of Companies". These companies were largely or wholly owned by the initial investors. These companies invested in other companies that constituted the "Inner Group" companies. They are denoted by "B", and were under the direct control of the initial investors through nominees and or through subgroups, with some or no public participation.

These "Inner Group" companies invested in yet other companies that were the "Majority owned companies "denoted by" C. The majority owned companies were generally public limited companies, but the decision making power was reserved by the controlling authority of the 'A' Group of Companies. A+B+C, were the "Group Companies" and have been colored yellow in the figure. In addition, there were "Outer Group" companies shown as "D" in the figure. These companies were either 50-50 ownership companies, minority owned companies or management

companies. In the "Outer Group" the Group 'A' had material participation and a voice, but it did not have controlling participation. The "Group Companies" plus the "Outer Group" was the "Complex". The business "Complex" were conglomerates, centrally-controlled through managing agencies.The system of control was comparable to the links of a chain. After some time, the chain of control started to interlink and overlap and it was difficult to know who was controlling whom. For example, Hindustan Shipyards Limited, was a minority owned company of Walchand and Scindia Steamship. But Scindia Steamship was a minority controlled company of Walchand. Was Hindustan Shipyard a majority owned company of Walchand or minority owned company of both Walchand and Scindia? The example given above of a very simple chain, but generally the system that evolved was much more complex.

Strategic Planning Family ownership and management was generally used for extending control and influence through major shareholding dispersed among the members of the founder's family, trusts, other companies and benami members. An example of intra-family control is that of Lakshmi Mills. Lakshmi Mills' promoters control 30.90% of the stock and a further 13.45% is owned by private corporate bodies. The latter include Lakshmi Machine Works Ltd. and Lakshmi Textile Exporters Ltd., both of which belong to the Lakshmi group owned by the GK Devarajulu and GK Sundaram family of Coimbatore. Such cross shareholdings promoted insider dominance of public corporations.

In spite of legislation, there remained a considerable concentration of ownership; it was a period of consolidation of private industry. The direct control of insiders through block shareholding and cross-shareholdings through private corporate bodies was indirectly encouraged through the passivity of domestic institutional investors. In return, the planned development model received the tacit support of Indian business elites as it created a dual economy, the private part of which offered significant business opportunities to the promoter families.

Indian business houses had used structure as a strategy both to exercise control as well as obtain licenses. This was significantly different from the concept of using structure to support strategy. The concept of structure as a strategy is becoming more popular now, internationally. Many new organization structures are being designed which use structure as a strategy. Additional proof of the ingenuity of the Indian mind can be gauged from the findings of the Hazari Commission set-up by the Government. This commission was set-up in 1958, to look into the working of business houses. The Hazari Report was submitted to the Government of India in 1960. It was a meticulously researched work on Indian industries[11].

It found that the top 13 business houses had a 16% growth in share capital over theperiod 1951 to 1958. Their share in Gross Capital Stock went up approximately 14% over the period. It validated the growth and concentration of economic power over the period of study (1951 - 1958). The direct implication, in an era of planned economy, was that private business houses were not only thriving, but also growing. The result of the investigation led to major changes in the policies of the Government of India. The Indian Companies Act of 1956 was amended to abolish the system of managing agencies, which had fallen into disrepute through abuse and malpractice in syphoning off corporate wealth for the benefit of a few dominant and controlling shareholders. And importantly, most of the banks were nationalized. The first action provided the

individual units a greater degree of control over their options, and the second reform reduced the collusion between the financial institutions and industry. Both these actions were to have \san impact on the functioning of industry for the next decade.

In another study, Dr. Aurobindo Ghosh examined the impact of governmental policies on market structure during this period. In his study, "Monopoly in Indian Industry - An Approach", he concluded that Indian markets were monopolistic in nature. In 1131 of the 1300 products that he studied, Dr. Ghosh found that the top three firms produced more than 75% of the total output of the product. Although the reports of Dr. Hazari and Dr. Ghosh have differences in their definition of concepts, they show that a large proportion of stock of productive capital (assets) in the Indian private corporate sector was concentrated in the hands of a few business groups. Government policies had failed to bring down the concentration of economic power in the hands of a few. This pointed to the failure of the licensing mechanism - an instrument of Government control over industries.

Well, they were able to do so by cornering licenses. Licenses became a weapon in the hands of the industrial houses to be used in a manner beneficial for them. These corporate groups, although diverse in size and control showed similarities in their strategies. These groups used different options to enter into as many areas as they could:

Active Pre-emption: Business houses grabbed a disproportionately large share of licenses, either directly or through proxy. They could take their time over investment, fully secure that no other competitor could enter the market. Often, businesses built capacities over and above the licensed capacity and then regularized these with new licenses. This was a result of a conscious strategy to keep the core companies healthy, because control over other companies stemmed from the core companies.

1. **Passive Pre-emption:** Business houses maintained a large number of dormant companies on whose name they obtained licences, thus preventing others from entering the market. The strategy of the dormant companies was to capture licensing capacities so that they could pre-empt competition. For example, the Malhotra Group \shad a large number of dormant companies that had licensed capacities to meet the demand for shaving blades for the next millennium. This effectively tied the hands of the Government when it came to issuing fresh licenses to manufacture shaving blades. The Groups created Trusts that invested in the group companies. These trusts were organizations that did not fall within the purview of the IDRA. They were primarily created to take advantage of tax benefits. However, as they were linked to the ownership in the chains built by the owners, the ownership relationship became more complex and tangled.
2. **Creation of Shortages:** Licenses also restricted output. After obtaining licenses, monopoly houses instead of producing more, pegged production at the previous levels, thereby creating artificial shortages and increasing prices and consequently their profits.
3. **Formation of Joint Ventures:** All the groups used a strategy of Joint Ventures to access new technologies through foreign collaborations, etc. In addition, the joint ventures were often used for tax evasions and contracted purchasing, etc., to gain additional economic rent. The attitude of the Business Houses towards technology was shaped by their

experiences. For them technology implied the acquisition of capital goods. This was the knowledge required for how-to-make. Joint ventures were a good way to access their limited requirements. This in turn led to a resistance to induct professional management in industry, \as the need did not seem apparent.

Most of the business houses were closely connected to financial institutions either through goodwill, equity ownership, or interlocking of control. This allowed them quicker and cheaper access to funds compared to new entrants. The entry barrier was further raised as new entrants were typically prone to price and non-price conflicts against the entrenched licensees thus raising their cost of entry and increasing their business risks.

Strategic Planning Due to import restrictions, there was also no outside competition. License requirements restricted a company's ability to expand inside the nation, while limitations on the flow of foreign currency made it difficult to expand outside. As Siemens proved in Germany, this had inspired inventions in numerous nations that worked towards yet-to-be-created items. India, in contrast, had poor productivity efficiency and a high cost of manufacturing since there was little motivation to be competitive. The power of the corporate houses to seize industrial licenses and letters of intent from the Government was the basis for growth and stifling competition.

Industrial Licensing restricted private investment in a supply-constrained oligopolistic economy by limiting both the scope and the nature of the investment. The business houses seemed to have an underlying notion that the Indian market was sufficient for their requirements and that chances lied in diversification by gradually introducing new, often outmoded items from richer nations. As a consequence, industries were created for things that weren't yet properly licensed in an effort to diversify. In the end, corporate organizations discovered that they had a wide range of distinctly unconnected sectors in their portfolio.

While their pursuit of unconnected diversification allowed them development and no competition at this time, it complicated things when liberalization was put into place. According to Harvard Management School professors Tarun Khanna and Krishna Palepu, unrelated diversity might be beneficial in emerging nations with immature marketplaces. According to recent study by Palepu and Khanna, family companies in India seem to have persisted for a long time.

The response to the Ghosh research and Hazari Report had subsided by the middle of the 1980s. The government understood the need for faster development. Realization set in that the public sector had fallen short of expectations. The government's financial condition was unstable. All of these elements contributed to a shift in the government's industrial strategy. Beginning in 1985, the number of approvals required for capacity development was lowered, and the scope of the industrial categories was expanded so that businesses would not need permission for minor adjustments to their product mix. The number of industries requiring licences was reduced with each passing year.

The small and medium-sized industries in the nation saw amazing development during this time. New industries, competences, and talents emerged. That was a time when the Indian industry

was developing a new mentality. This was shown by a notable increase in industrial growth, which in the second half of the 1980s averaged above 6% for the first time since Independence. The strategy was gradually altered during the 1980s until the new Liberalization, Privatization, and Globalization policy was launched in 1991.

With economic liberalization, the 1990s saw fundamental shifts in government policy. The industrial transition, both gradual and drastic transformation and extinction, presented a challenge to Indian industry during this time that it could not ignore. This development drastically altered India's competitive environment in a way that was unthinkable at the time. We were now gazing into a brand-new world full of surprises; for Indian businesses to thrive in this setting, new tools and tactics were required.

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After a balance of payments crisis in 1991, the Narasimha Rao administration chose to alter its economic strategies. The planned development model experienced a significant shift. The new industrial strategy entails a "fight for social and economic justice, to abolish poverty and unemployment, and to establish a modern, democratic, socialist, and forward-looking India," to quote the policy declaration. A competitive, unrestrained, and open economic system has taken the role of protection and restrictions. There are many ways to limit competition, including licensing for investments, the Monopolies and Restrictive Trade Practices Act (MRTP), public sector reservations for infrastructure and other industries, product reservations for small-scale businesses, government procurement policies that favor public and small-scale businesses, trade restrictions and high tariffs, and restrictions on foreign investment. The goal of the new industrial strategy was to promote the development of internationally competitive businesses with increased financial and technical capabilities while fostering an atmosphere of active competition. Among the significant effects anticipated from these modifications were: l Increases in resource usage efficiency as a result of severe limitations. These variables were thought to be in charge of the poor capital productivity, high number of ill units, high capacity unused, high number of public sector units operating at a loss, etc.

Because of the increase in resources, the private sector was expected to invest more money domestically and from abroad in the form of direct or equity capital. This was expected to result in an acceleration of the economy's growth rate, as well as an increase in employment levels and a decrease in inflation. The convertibility of the Rupee would primarily enhance the Balance of Payments. The Monopolies and Restrictive Trade Practices Act was loosened, which helped large businesses in particular. Companies were no longer required to get permission from the government in order to pursue product growth and expand into new markets. Former restrictions on where industries may be located were lifted, and corporate taxes was both simplified and cut.

The new strategy allowed for the privatization of the public sector units (PSUs). The Government sold off minority stakes in its public sector companies, primarily in the mining, steel, and oil refining sectors. Several tasks that were previously only performed by the public sector were made available to the commercial sector.

Just 8 industries those with a focus on security and strategy were set aside for the public sector. Now, the private sector was permitted to play a large role in developing sectors like electronics and automobiles. The government had held public businesses liable for market-related earnings by disinvesting funds.

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CHAPTER 17

THE IMPACT OF ORGANIZATIONAL CULTURE ON WORLD CLASS COMPANIES: A COMPARATIVE STUDY

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The government also made moves towards a more open economy and away from its protectionist trade policies. The decision to end the artificially manipulated exchange rate of the rupee was the first step. The rupee has been completely convertible on current exchange rates account of the payment balance. In an effort to make them more competitive with other nations, customs taxes on imports were also decreased. Several imports that had previously been restricted by quotas were now just subject to tariffs. The present tariff levels on raw materials, finished products, and capital goods will be gradually reduced from 110% to 65% and from 110% to 25%, respectively. Beginning in 1992, the government developed policy plans to totally do away with import and export licenses, with a single tiny exception. Government representatives assured the public that this "minor exemption" would be guided by law and not at the whim of administrative decision-makers.

India pledged to develop an economy that is more open to foreign trade. The Government agreed to follow international patent regulations, but gave businesses five to ten years to comply. The Indian economy's doors have been opened to outside investment. Foreign investors were permitted to own 51% of the shares. The Government also began the procedure for removing the price limits that had been imposed on various goods. Just the limitation that the foreign equity should encompass would be subject to automatic approval of up to 51% foreign investment in priority sectors identified in Annexure III of the Industrial Policy:

The necessary authorization would be issued within two weeks, subject to the aforementioned. Companies not listed in Annexure III and not eligible for automatic approval may submit applications to the Foreign Investment Promotion Board for the following reasons: l Investment up to 51% foreign investment l Investment for more than 51% foreign investment l If foreign exchange was needed for the import of capital goods and it exceeded the amount of foreign equity brought in l Service industries, including the financial and consulting sectors.

All businesses categorized as MRTP entities under the MRTP Act have assets that above a specified threshold (Rs. 100 crores since 1985). Just a few sectors were open to such enterprises, and even then, case-by-case clearance was required. Such huge enterprises had to get additional permissions in addition to industrial licensing for any investment projects, capacity expansions, the creation of new ventures, mergers, amalgamations, and takeovers.

The threshold asset restriction in relation to MRTP and dominating undertakings was eliminated by the new Industrial Policy. These businesses were now on an equal footing with other businesses and did not need approval in advance to operate in or expand into the delicensed

regions. Nevertheless, companies with a market share of above 25% were now referred to as "monopolies," with the focus being on taking necessary action against monopolistic and unfair trading practices. In this way, it expanded the reach of the MRTP Act in addition to strengthening it.

In India, loans from banks and other financial organizations account for a significant portion of industrial investment. A convertibility provision was a necessary component of these banks' financing procedures for new projects. They now have the opportunity to convert some of their debts into equity as a result. This possibility has long been seen as a danger of financial institutions taking over private businesses. This required convertibility condition will no longer be imposed by financial institutions going forward, according to the policy. The free functioning of the labor, capital, and product markets continued to be significantly constrained in India's economy despite all the changes in policy. Also, there was a great deal of uncertainty surrounding the political will to continue changing economic policy until late into the 1990s[1]–[3].

The market liberalization and economic policy reforms programmed of the Indian government intends to promote quick and significant economic development as well as economic integration of the nation with the rest of the world. Reforms to industrial policy have lifted constraints on investment and growth, abolished the need for industrial licenses with the exception of a few carefully chosen sectors—and made it simpler to access foreign technology and direct investment. The fundamental basis for the government's overall industrial strategy is provided by the Industrial Policy Resolution of 1956 and the Declaration on Industrial Policy of 1991. Government approval processes have been ever more streamlined and expedited. FDI bids are typically approved in a month. Areas that were previously only accessible to the public sector have mostly been made available to the commercial sector as well. Except for the following industries reserved for the public sector, industries retained under compulsory licensing, items of manufacture reserved for the small scale sector, and proposals attracting locational restrictions, all industrial undertakings are exempt from obtaining an industrial license to manufacture.

Industrial enterprises that are free from needing an industrial license must submit an Industrial Entrepreneur Memorandum (IEM) to the Department of Industrial Policy and Promotion's Secretariat of Industrial Assistance (SIA). Almost every industry is accessible to foreign investment, with the exception of those of strategic importance like rail transportation and the freshly opened, albeit restricted, defense sector. 100% subsidiaries of foreign corporations are allowed to be established in India. Apart for a few specific operations, no prior authorization from the exchange control authority (RBI) is needed. The investment must follow the established rules, and the information about the investment must be submitted to the authorities within the established deadline. This process is solely relevant for new direct investments in Indian firms; it does not apply to the acquisition of shares from current owners. The "automatic approval route" is the term usually used to describe this investment process[4], [5].

Individual business owners were given the flexibility to more fully explore their prospects as a result of the elimination of regulations and limitations. Many Indian industrial conglomerates, including Tatas, Larson & Toubro, Hindustan Lever, Aditya Birla Group, and others, had already

begun restructuring and taking advantage of the new conditions. The majority of them were brutal perfectionists with an innate desire for effectiveness and money. Everywhere there was an opening to seize and a need to fill, their firms were formed. Their political connections and management prowess allowed them to take advantage of the developing markets.

In many instances, their successors did not fully understand the consequences of the changes that were occurring around them as these charismatic leaders handed over the reins Mahindra, managing director of Mahindra & Mahindra and a former president of the Confederation of Indian Industries, said at an interactive meeting hosted by the "All India Association of Industries and Young Entrepreneurs Society" in New Delhi in October 2003. The biggest challenge for an Indian company, whether it is inside or outside of India, is competing with global players. We must lead the way and engage the competition head-on rather than retreating to our own garden.

Several commercial companies were still mired in an increment list perspective. Almost all of the Groups had purchased highly varied portfolios of enterprises from business groups while operating in the "licensing raj" environment. When licensing was common, there were few prospects for development, and businesses needed to diversify to expand, extensive diversification made sense. Companies today confronted the issue of dispersion of core capabilities due to their diverse array of operations. Such portfolio management was a difficult endeavor. It was challenging to effectively manage and regulate such diverse company portfolios. The altered conditions put rising demand on the wise Organizations to simplify and reorganize the enterprises.

Several of the established corporate houses used divestment methods. For instance, the Tata Group published a strategy plan in 1992 that included the idea of lowering the number of enterprises from 107 operating in 25 businesses to fewer than 30 functioning in only twelve. The Group determined which non-core companies it would exit. Given that the Tata's did not see soaps and detergents as a fundamental business, TOMCO was divested and sold to Hindustan Lever. Similar to how Tata Group sold its cosmetics firm, Lakme, to Hindustan Lever, it also sold its pharmaceutical businesses, Tatas-Merind and Tata Pharma, to Wockhardt. The reorganisation of the Tata Group attempted to establish an integrated planning system, units that were focused and streamlined, units that worked in tandem, and consolidated interests in group firms[6].

To reorganized and manage transition from being a large, varied conglomerate to being a configuration of empowered virtual firms, each centered upon a specific category of 163 Strategies of Leading Indian Companies items, Hindustan Levers developed Project Millennium. Operations were restructured and limited to 18 distinct companies, which were categorized into seven divisions: oil-fats, drinks, personal care, frozen foods, detergents, and personal goods. Hindustan Levers accomplished this by acquiring some key companies and selling off non-core businesses including those that produced dairy products, animal feeds, specialty chemicals, etc. Several organizations made comparable efforts to simplify and restructure their operations.

Companies in the public sector were included. Soon after liberalization started, the State Bank of India saw the burgeoning competition. It hired McKinsey and Company in 1993 to create a reorganization strategy. Developing a worldwide viewpoint and becoming a top-tier bank were the goals of restructuring. The large expenditures made in the modernization schemes have long since caused challenges for Steel Authority of India Ltd. Its attempts to resurrect itself were centered on financial restructuring to lessen the debt load and corporate reorganization intended to concentrate on its core steel industry. For its four steel factories, it pursued intensification techniques and sold off its non-core companies, including alloy and stainless steel.

Yet, this was not universally true. Sumantra Ghoshal and Christopher A. Bartlett, two management experts, claim that although most Indian firms are aware of the difficulties they face, there is an issue with them. Ghoshal and Bartlett identify "acceptable underperformance" as a widespread ailment that plagues corporate India. Since the management is complacent and doesn't question what it is doing to provide value, the firm continues to produce money but eventually loses its competitive advantage. As the crisis hits, the business finds itself in an impasse where it must struggle for existence.

Several business groups skipped hiring management that was qualified. They had the "satisfied underperformance" syndrome described by Ghoshal. The catastrophe that came along with this time of "severe volatility" caught them off guard. As the guard changed, some of them had activities that were so centrally controlled that they were no longer controllable. Inter-family conflicts and bad financial management made the situation much worse.

As a consequence, several of them began to lose their dominance, and some of them began to disintegrate. For instance, the Shriram Group and the Singhanias' J.K. Group both disbanded. The BK Birla and Aditya Birla Groups not only maintained but also strengthened their positions despite the Birla Group being divided and many of the new sections losing their significance. The 61 industrial facilities scattered over 14 countries that make up the Aditya Vikram Birla (AVB) group's holdings in textiles, viscose filament yarn, cement, chemicals, electricity, fertiliser, telecom, financial services, investment banking, aluminum, copper, infotech, refining, and cellular services. Grasim, Indo Gulf, Hindalco, and Indian Rayon are the leading businesses. Aditya Birla's son Kumaramangalam Birla, the CEO of the AV Birla group, has continued to uphold the business's progressive stance even after his heartbreaking departure[7], [8].

New commercial organizations like the Ambanis, the Ruias, the Dhoots, and the Nambiars emerged as a result of the fall in the older groupings. In the 1980s and 1990s, the newcomers began establishing their commercial empires; families like the Ambanis, Ruias, and Dhoots rose to prominence. Businesses like Reliance, Tata Group, Samsung, and Daewoo have taken use of their track records to develop significant brand names that raise the affiliate organization's market worth.

The government had hoped that business and industry would step up as important sources of investment finance. They weren't let down. The new organizations started developing large-scale initiatives and carrying out elaborate plans. Diversification as a growth strategy persisted. Early on in the process of economic liberalization, new company organizations began branching out

into unrelated industries. The majority of these commercial organizations saw potential in emerging industries including petrochemicals, aviation, oil, and refining.

The research by Khanna and Palepu, which shown that this provided them leverage, explains this trend. Yet in the post-liberalization age, the pattern that formed was not anticipated. The young groups were imitating the tactics of their more seasoned colleagues in part because they had previously seen these tactics produce development and maybe even the discovery of new core competencies.

The list below may be used to assess the degree of diversity. The following list demonstrates the industries in which the biggest Indian corporate groups were active: Textiles, synthetic fibres, chemicals, petrochemicals, plastics, transportation, and finance all rely on one another. Steel, light and heavy commercial vehicles, electricity, hotels, cosmetics, watches, consumer electronics, telecom, information technology, printing, tea, coffee, cement, engineering, textiles, paints, financial services, refrigerators, and air conditioners are all products of Tata.

Steel, energy, minerals, textiles, hairstyle culture, shipping, financial services, and port services. Banking changes made it possible for banks to operate more like markets. The private sector was given access to minorities with partial ownership interests in public sector banks. Interest rates on savings and loans were liberalized in the latter part of 1994. Ten domestic and eight foreign banks out of the total of 18 new private sector banks that were to be built in 1994–1995 had their applications accepted. This caused private retail banking to rapidly expand.

The domestic capital markets, particularly the equities markets, grew favorably as a result of the reforms. To oversee stock markets and enforce global standards for investor safety, the Securities and Exchange Board of India (SEBI) was founded.

India had 14 stock exchanges at the beginning of the 1990s, and they together listed over 5,000 companies. Just 300 to 500 of the 5,000 listed businesses were regularly traded, but turnover was rising quickly. Unfortunately, 165 Strategies of Leading Indian Businesses trade became more and more concentrated in the hands of speculators, and trading volumes rose primarily as a result of increased speculating. The Sensex saw significant intraday and daily volatility that served as signs of this occurrence.

The government made an effort to get groups to solicit funding directly from investors. The Capital Issues Control Act, the administrative impediment, was eliminated. Private promoters were able to abuse the increased flexibility because to SEBI's inexperience and the Government's tardiness in providing it with sufficient authority, which led to a number of frauds of various sizes and varieties. Even wealthy households and multinational organizations profited from the situation and issued shares at absurdly cheap rates to themselves.

Now, Indian businesses might raise stock on international markets. The government expected private investors to play a key role as financiers of investments. India's capital markets now welcomed participation from private mutual funds, foreign institutional investors, and nation funds. The market capitalization as a proportion of the Indian GDP increased as a consequence. Notwithstanding these bumps on the road and the lessons learned, there was positive news for

the sector. Over 2270 firms were listed at the conclusion of the 1990–1991 fiscal year, with a valuation. Almost 9000 firms were listed by 1995–1996; their market capitalization. The first high vanished quickly. Local goods got some protection from imports from more developed countries thanks to high import duties. There was formerly little rivalry in these markets, but that was no longer the case. India has to consent to lowering tariffs and trade obstacles in accordance with a predetermined timeline in order to join the World Trade Organization (WTO). The effects of globalization, liberalization, and the reduction of tariffs were significantly altering the markets. Local products can face competition from imported items. Multinational companies' entrance into the marketplaces led to a sharp rise in competitiveness. MNCs actively engaged in the merger and acquisition process to gain market entrance or access to numerous complementary assets, which helped them increase their market position in India. They invested in India using their large financial resources and relatively easy access to finance[9].

The buyer wanted high quality products at affordable prices. The effective utilization of inputs such as capital, labour, raw materials, and energy became essential in order to provide excellent quality at the lowest prices. Several businesses discovered that the pricing rivalry was so intense that 166 Strategic Management they were unable to compete in such market circumstances. This level of fierce competition led to demand fragmentation across all industries. Domestic producers or service providers were no longer in direct competition with one another.

Instead, they were forced to compete with goods and services provided by international firms and foreign producers. Even worse, the consumer's desire was continually shifting as he sought out more options. The experience for manufacturers was novel. New patterns of need and demand emerged as a result of the fast changes in the distribution of age, sex, income, education, and lifestyles. By the year 2000, India's urban population had increased from 25% a decade earlier to over 30%. Almost 50% of urban Indians were under the age of 30 in 2000, according to the National Council for Applied Economic Research (NCAER), and a greater proportion of young women were pursuing professional careers. For those sectors that catered to young people, this presented a big opportunity.

The new generation of professionals began living off of their projected future income rather than their savings, in contrast to the previous generation. This represented a significant change in terms of both numbers and disposal revenue. The consumer and consumer durable markets both benefited greatly from this. The marketplaces began to be dominated by new items designed for the urban population, who has the highest disposable incomes.

The market's attitude towards investing in Indian companies has changed. Following the first boom, investments in Indian firms declined in 1997–98 to a level that was lower than in 1991–1992, the year before deregulation. Euphoria was no longer present. While the loss is partially attributed to the frantic activity on the stock exchanges as private promoters attempted to profit from the crisis, this was a strong signal to the business. Nonetheless, in order to preserve its position in local markets, domestic industry had to undergo a significant transformation. All of the developments occurring in the Indian economy came together to cause the phenomena of the reduction in investments[10].

In his newly published book, William W. Lewis argues that shifting India's focus from a "producer mentality" towards "raising productivity via strong competition and defending consumer rights" is the key to the country's success. Since "goods created have value only because customers desire them," he claims, this is the case. He contrasts American production with that of India. Agriculture is where most people are employed in India. According to him, Indian dairy and wheat farmers "have a productivity of roughly 1% of the American farmers" in agriculture, but "have a productivity of 15% of their counterparts in the US" in the contemporary sector.

While business was safe, this "producer attitude" was acceptable. Yet when the rivalry heated up, something had to change. Several Indian businesses, like Telecom, Bajaj Auto, and others, discovered they were losing customers as a result of the tough competition from overseas brands. They started to understand the significance of new items, cost-cutting measures, improved technology, etc. Creating plans at the level of the business organization to bring about technical advancement, managerial development, and enhanced competitiveness was difficult in an economy moving to an industrial economy.

The commercial organization was now functioning in a situation where the state's protection of it was eroding and would continue to erode. Companies that sold shares to overseas institutional investors reported feeling exposed for the first time to higher investor demands for performance and transparency. Conventional lenders, who previously provided non-performing management with a lengthy leash via exemptions and capital restructuring, abruptly increased their demands. This was primarily due to the increased accountability requirements that lenders were exposed to as a consequence of the public's participation as shareholders and regulatory bodies' stricter accounting and transparency regulations.

A more stringent capital market regulation was a significant element that drove corporate governance. In addition to expanding the range of information that must be reported and raising the standard of disclosure, SEBI established forms for disclosure. With the creation of a Takeover Code, the potential for legal takeovers posed a serious concern as well.

Indicate if each of the following claims is true or false:

1. The quick pace of change and growing complexity of today's competitive environment provide a variety of problems for strategic managers.
2. For a company to be sustainable and expand, strategy is essential.
3. At the national and international levels, significant topics in strategy are being debated, and study is being done to determine why certain businesses outperform others in their field.
4. The private sector is where the best and most often used models for creating organizational strategy are found.
5. The primary purpose of diversification is to enable corporate management to generate value for shareholders in ways that are superior to what the investors alone might generate.
6. Top-Notch Organizations

The warning was heard by several Indian business entities. In the years after the reform, they used a range of coping mechanisms. A few important patterns that emerged include: l A lot of firms reformed themselves. Consolidation and increased financial restructuring activities were the goals of restructuring. Several corporations with strong financial standing retired old funds that had been acquired at high interest rates by issuing GDRs and ADRs in order to seek financing from the international money markets. Several other businesses renegotiated their financial instruments with their financing sources as a result of the huge decline in interest rates in India.

The corporate sector spent more money on technological flows, which were often linked to equity. Also, a wide range of inter-firm relationships are occurring. With the possible exception of industries like IT, biotechnology, and pharmaceuticals, in-house technology creation has fallen by the wayside in many fields for the time being.

Companies worked to increase their capacity for manufacturing by forming partnerships and internal initiatives. Several firms now place a high focus on quality improvement. Despite these initiatives to increase production capacity, this issue still has to be addressed. Building brand identities that can compete with globally renowned companies required the application of product differentiation methods. It's interesting to note that certain large corporations, such Hindustan Lever and Eveready, have greatly improved their networks into rural India in order to consolidate and develop new markets for their goods. The 1990s saw improved margins and profitability as a result of these initiatives.

Export-based growth strategies have been implemented by a few corporations, but they are not widely used; export orientation, which had greatly expanded in the early years of reform, has not increased much after 1997–1998 with the exception of the IT sector. The entire exposure to the global market was still insufficient for other industrial sectors to propel Indian business organizations onto greater development and learning trajectories.

Many organizations of the highest caliber were created as a result of these difficulties. For instance, Dhirubhai Ambani, the creator of Reliance Industries, converted the company into his vision. With remarkable capabilities in fields as varied as project management and the mobilization of low cost financing, it rose to the position of cost leader in its primary activities. Ranbaxy Labs made human and monetary expenditures in developing R&D skills after the Process Patent Act was introduced in 1970. It developed into a "research-based, global firm," able to use its knowledge to establish a place for itself in global markets.

Thermal excels in creating value; in this area, technological innovation is fueling expansion. Giving clients "the greatest value for money" is the basis of Bajaj Auto's value-creation strategy. By connecting its value-creation logic, organizational principles, and people processes, NIIT Ltd. serves as an example of how an organization manages the present from the future in its companies. In addition to dominating the computer education sector, it also has outstanding brand recognition.

Nicholas Piramal and Ispat International both grown via acquisitions. In order to become the biggest steelmaker in the world, Lakshmi Niwas Mittal, the creator of the Ispat International

business, acquired steel-making facilities employing DRI technology. As a result, the post-integration approach focused on operations including facility upgrades, improved marketing, and using what was learned from the other facilities. Even though each purchase took occurred in a different nation, the current management in each acquisition was able to come together with amazing success. It has excelled in each of the three stages a firm must go through after being taken over: sprucing up and strengthening the foundation, revitalising the organization's strategy, and lastly integrating its personnel and operations with the rest of the corporation. The past of Nicholas Piramal is comparable. It has been exceptional in handling diversity. To create one powerful firm, three pharmaceutical companies that had quite diverse products and cultures were combined.

Wipro expanded via strategic partnerships, organic expansion, and acquisitions. Despite being more well-known for its software business, Wipro is actually made up of eight separate businesses that operate independently but are united by a set of core values known as the Wipro Beliefs. By making annual plans and goals transparent across all divisions, locations, and levels, Wipro has built a top-notch organisation.

There are a lot more. The names mentioned below are typical. India is evolving quickly. India is now the second-largest exporter of services in the world because to the Indian outsourcing boom, which was driven by businesses like Infosys, Tata Consultancy Services, and Wipro. The fortunes of several corporate enterprises have transformed as a result of this altered environment. The majority of the big corporate conglomerates from the licencing raj period do not fit into the current hierarchy. Early on in economic liberalisation, corporate groups' relative rankings have also shifted.

Take note of the variations between these two lists. No firm from the Top 10 in 1990 is included on the 2003 list. Several businesses, like National Rayon and Indian Iron, are no longer in business due to bankruptcy. Scindia Shipping survived its near-bankruptcy. The majority of the businesses on the 1990s list are manufacturers. And practically all are part of historic corporate families that launched India's early industrialization in the time between the two World Wars.

The modifications that happened during this time are shown in the second list. Steel and cement have been supplanted by petroleum as the preferred material. On the list are three petrochemical firms: ONGC, Reliance, and Indian Oil. Tata Steel, Indian Iron, and Associated Cement Companies have been replaced by them. Hindustan Lever and ITC Ltd. are two international consumer goods corporations that have achieved success. The top two providers of information technology services are Wipro and Infosys. Two consumer banking institutions, State Bank and ICICI, as well as the pharmaceutical firm Ranbaxy have also made the cut.

The rivalry will become fiercer, according to Mr. Anand Mahindra, managing director of Mahindra & Mahindra. If they don't chose to adapt and take up the challenge, it can spell the end for many prosperous enterprises. They will have to make the decision to change and act now to maintain and strengthen their competitive edge in marketplaces where competition will be fierce. They wouldn't be able to compete in such market circumstances otherwise. The Indian business model has to demonstrate that it can compete both nationally and globally.

Many commercial firms still think in increment list terms. They should be aware that maintaining and managing competition is the main concern if they are to make the most of the current situation, including the opportunities and risks. We live in a time of constant change, shifting technological leadership, commercial needs, and international competition.

The issues and difficulties offered to Indian business would need a bold response.The ability to deploy previously unattainable strategic alternatives has been made possible by liberalization. According to Prof. Abad Ahmed and Prof. Chopra, firms need exceptional leadership to meet the emerging challenges. This calls for leaders who are proactive, upbeat, and enthusiastic; who are clear about their mission, vision, and values; who set demanding, very ambitious objectives; who are ready and able to adapt; and who are driven to succeed.

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CHAPTER 18

TOOLS AND TECHNIQUES FOR EFFECTIVE STRATEGIC PLANNING AND EVALUATION

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A continuous improvement plan offers a structured approach for identifying the main causes of issues and the best course of action to address them. It is set up with step-by-step slides for "your quality tiger team" leader to utilize, making implementation simple. Deficiencies and Strengths Analysis clearly identifies a company's existing strengths and shortcomings, offering reliable data on which to make strategic choices. A corporation may use it to define new business prospects that would not have appeared otherwise.

Efficiency is emphasized in this approach. The company aims to experience curve effects and scale efficiencies by creating large quantities of standardized items. The product is often a straightforward, no-frills item that is created at a cheap cost and offered to a huge consumer base. This policy must be maintained, which necessitates an ongoing quest for cost savings throughout the board. To achieve the broadest dissemination feasible is the associated distribution strategy. Making a virtue out of inexpensive product characteristics is a common promotional tactic.

This tactic often needs a significant market share advantage or preferential access to raw materials, components, labor, or some other crucial input to be effective. Without one or more of these benefits, rivals may readily imitate the tactic. Effective implementation also benefits from: process engineering skills goods designed for ease of manufacture continual availability to affordable capital strict supervision of labor tight cost control incentives based on quantitative objectives. Examples include budget airlines like EasyJet and Southwest Airlines as well as grocery stores like KwikSave. "Achieving a sustainable competitive edge in the IT sector via hybrid business strategy: A current viewpoint," wrote Tharinda Jagathsiri, MBA, of the University of East London.

When a company develops, manufactures, and advertises a product more effectively than rivals, that company has put into practise a cost dynamics strategy. Low cost dynamics will be represented by cost reduction techniques used across the activity cost chain. Cost-cutting measures will be used at every level of the business cycle, from product manufacture through final product sales. In order to maintain a low cost base, any 179 Tools of Strategic Planning and Evaluation procedures that do not help to reduce costs should be outsourced to other organizations[1], [2].

Reduced costs will enable a business to provide features that many consumers would find appealing in relatively typical items at the lowest possible price, giving the business a competitive edge and growing its market share. According to these texts, cost-effectiveness obtained during the process will allow a business to mark up a price lower than the competition,

which eventually leads to large sales since the competition cannot match such a low cost base. Longer-term maintenance of the low cost base will guarantee steady growth in market share and reliable earnings, which will ultimately lead to better performance. Nonetheless, these publications bring us to the realization that the capacity of a rival to match or create a lower cost base than the market leader will determine the longevity of the competitive advantage attained via low cost strategy.

A company tries to maintain a low cost base by reducing other expenditures, such as R&D and advertising, and regulating manufacturing costs, capacity utilization, material supply, or product distribution. A company can maintain a low cost base by using mass production, mass distribution, economies of scale, technology, product design, learning curve benefits, work force dedicated to low cost production, reduced sales force, and less spending on marketing. The cost effectiveness of the business's processes will need to be carefully examined by decision-makers in a cost dynamics firm. The cost dynamics approach will increasingly be determined by maintaining the low cost base.

As economies of scale, mass manufacturing, and distribution will not have an influence on new entrants or enterprises with a lesser market share, they may not gain from such a strategy. Only bigger companies may successfully use low cost dynamics. Market leaders may be able to improve their positions by using size and expertise advantages in a low cost dynamics approach. But does low cost strategy have any advantages over other strategic typologies? Can one company outperform another with a different competitive strategy? Can one company pursue a low cost strategy? If a company's expenses are low enough, it may still be profitable in a highly competitive environment, turning it into a defensive strategy against rivals. Moreover, they point out that such low prices could serve as entry barriers since they make it difficult for new competitors to compete with cost leaders who can provide products and services at the same or lower costs. Raising barriers to competition will result in a sustainable competitive advantage, as discussed in the academic framework of competitive advantage, and when combined with the aforementioned writings, we can confirm that a low-cost competitive strategy may produce a sustainable competitive advantage.

Regarding the factors mentioned above that help a company maintain a low cost base, some, like technology, may be developed through innovation mentioned as creative accumulation in Schumpeterian innovation, and some may even be resources developed by a firm, like long-term healthy relationships built with distributors to maintain cost-effective distribution channels or supply chains unique, valuable, non-transferable. Similar to earlier examples, a firm's commitment to something, such capital expenditures for growth, may ultimately lead to economies of scale (as discussed in the commitment approach). Strong strategic positioning in the market will be achieved by increasing barriers to competition as a consequence of the low cost base that makes it possible to provide cheap pricing.

The four viewpoints of sustained competitive advantage that were discussed in the opening sections of this research study correspond to these important qualities. One competitive tactic that will provide a long-term competitive advantage is low cost dynamics. Strategic Planning Yet reduced cost dynamics come with a drawback: less steadfast client commitment. Customers will

develop a poor perception of the product's quality as a consequence of relatively cheap pricing. Customers' perceptions of such items will increase their propensity to switch to a product that may be more expensive but conveys a sense of quality. By taking an analytically thorough picture of the low cost approach, it is clear that it has the potential to provide a competitive advantage, but creating and maintaining a low cost base becomes a crucial, important responsibility[3], [4].

The link between experience and efficiency is expressed by the learning curve effect and the closely related experience curve effect. People and/or organizations often grow more effective at an activity as they have more experience at it. Both ideas derive from the proverb "practice makes perfect," and both ideas go counter to the widely held misconception that a "steep" learning curve indicates that something is difficult to learn. A "steep" learning curve really suggests that something becomes simpler very rapidly.

Hermann Ebbinghaus, a German psychologist, coined the phrase "learning curve" in relation to the effectiveness of memorization vs the quantity of repeats. Subsequently, the phrase took on a larger definition. According to the learning curve effect, a job will take less time to complete each following iteration the more times it is completed. This connection was presumably first measured in 1936 at Wright-Patterson Air Force Base in the United States, when it was found that the amount of labour needed fell by 10 to 15% for every doubling of total aircraft output. Yet, in most circumstances.It did not change at various sizes of operation. Later empirical research from other sectors have produced varied numbers ranging from merely a few percent up to 30 percent. According to the learning curve idea, expenses decline at a predictable pace as output doubles. Equations 1 and 2 explain this predictable pace. The formulas have a common equation form. Just the definition of the Y term differs between the two equations, yet this distinction has a big impact on how an estimate turns out.

The unit curve's foundation is described by this equation. The cost of a specific unit in a manufacturing run is represented by Y in this equation. For instance, the calculation below may be used 200 times (for units 1 to 200) to make 200 units from a manufacturing run, and the total cost can then be calculated by adding the 200 values. This is time-consuming and calls either the usage of a computer or publicly available tables with fixed values. The "cum" in cum average has relevance since it indicates that the average expenses are calculated for X cumulative units. The sum of the costs for X units is thus calculated as X times the cumulative average cost. For instance, an analyst may calculate the cumulative average cost of unit 200 and multiply this amount by 200 to get the overall expenses of units 1 to 200. Comparatively speaking, this computation is substantially simpler than the unit curve example[5], [6].

Compared to the learning curve effect, the experience curve effect has a far wider application and affects much more than simply labor efficiency. According to this, a task's cost will decrease the more often it is completed. The manufacturing of anything or service might be the job. Value added expenses, which include management, marketing, and distribution, and production, decrease by a fixed and predictable proportion each time the total volume doubles. The Boston Consulting Group (BCGBruce)'s Henderson started emphasizing the importance of the

experience curve for strategy in the late 1960s. According to BCG research from the 1970s, experience curve impacts for different sectors varied from 10% to 25%.

Graphs are often used to express these effects. The cumulative units produced are represented on the horizontal axis, while the unit cost is plotted on the vertical axis. The term "85% experience curve" refers to a curve that shows a 15% cost decrease for every doubling of production, meaning that unit costs fall to 85% of their initial level. Strategic Planning Mathematically the experience curve is described by a power law function sometimes referred to as Henderson's Law: where C is the cost of the first unit of production is the cost of the nth unit of production n is the cumulative volume of production and is the elasticity of cost with regard to output

They gain mental self-assurance and are less likely to hesitate, learn from errors, experiment, or experiment too much. They pick up enhancements and shortcuts over time. All workers and supervisors, not just those engaged in production directly, must adhere to this. Standardization, Specialization, and Techniques Improvements: Efficiency tends to rise when procedures, components, and finished goods become more standardized. When employees focus on a small number of tasks, they become more adept at them and work more quickly. As they are implemented and people learn how to use them effectively and efficiently, automated production technology and information technology can lead to efficiencies. Better equipment utilization: As overall production increased, manufacturing equipment was more fully utilised, which reduced fully accounted unit costs. Additionally, it may be acceptable to spend money on equipment that is more productive.

Changes in the Resource Mix: As a business gains expertise, it can change the mix of its inputs to increase efficiency. As the manufacturers and consumers have more experience with the product, they can usually find improvements. The manufacturing process is affected by this. Cadillac's testing of various specialty "bells and whistles" accessories is a good illustration of this. The ones that withstood user "beatings" went into mass production in other General Motors products, while the ones that failed were dropped, costing the automaker less money. As General Motors produced more cars, they learned how to best produce products that work for the least money[7], [8]. As a product enters more widespread use, the consumer uses it more efficiently because they're familiar with it. One fax machine in the world can do nothing, but if everyone has one, they build an increasingly efficient network of communications. Another example is email accounts; the more there are, the more efficient the network \sis, the lower everyone's cost per utility of using it.

Shared Experience Effects: Experience curve effects are reinforced when two or more products share a common activity or resource. Any efficiency learned from one product can be applied to the other products. The experience curve effect can on occasion come to an abrupt stop. Graphically, the curve is truncated. Existing processes become obsolete and the firm must upgrade to remain competitive. The upgrade \swill mean the old experience curve will be replaced by a new one. This occurs when competitors introduce new products or processes that you must respond to, Key suppliers have much bigger customers that determine the price of products and services, and that becomes the main cost driver for the product, Technological change requires that you or your suppliers change processes. The experience curve strategies

must be re-evaluated because: they are leading to price wars. They concluded that because relatively low cost of operations is a very powerful strategic advantage, firms should capitalize on these learning and experience effects. The reasoning \sis increased activity leads to increased learning, which leads to lower costs, which can lead to lower prices, which can lead to increased market share, which can lead to increased[9], [10].

Strategic Management profitability and market dominance. According to BCG, the most effective business strategy was one of striving for market dominance in this way. This was particularly true when a firm had an early leadership in market share. It was claimed that if you cannot get enough market share to be competitive, you should get out of that business and concentrate your resources where you can take advantage of experience effects and gain dominant market share. The BCG strategists developed product portfolio techniques like the BCG Matrix (in part) to manage this strategy.

One consequence of the experience curve effect is that cost savings should be passed \son as price decreases rather than kept as profit margin increases. The BCG strategists felt that maintaining a relatively high price, although very profitable in the short run, spelled disaster for the strategy in the long run. They felt that it encouraged competitors to enter the market, triggering a steep price decline and a competitive shakeout. If prices were reduced as unit costs fell (due to experience curve effects), then competitive entry would be discouraged and one's market share maintained. Using this strategy, you could always stay one step ahead of new or existing rivals.

In his book Economia, Geoff Davies describes the implications of the learning curve as fundamental. He argues along similar lines to BCG that, through positive feedback, the advantages conferred by the curve and other economies of scale allow one or a few firms to increase market share until they dominate their market. Maintaining that because of the learning curve effect, economies of scale pervade modern economies, Davies infers that since the resulting monopolies distort the market away from equilibrium and optimality, the modern economy is not in equilibrium. "Large, modern free-market economies are characterized not by equilibrium but by exponential growth and instability" (p46, Davies' italics). He concludes that the behavior of real economic systems is radically different from the predictions of the general equilibrium theory of neoclassical economics, and that therefore this theory fails as a useful description of a modern economy.

They claim that experience effects are so closely intertwined with economies of scale that it is impossible to separate the two. In theory we can say that economies of scale are those efficiencies that arise from an increased scale of production, and that experience effects are those efficiencies that arise from the learning and experience gained from repeated activities, but in practice the two mirror each other: growth of experience coincides with increased production. Economies of scale should be considered one of the reasons why experience effects exist. Likewise, experience effects are one of the reasons why economies of scale exist. This makes assigning a numerical value to either of them difficult.

Others claim that it is a mistake to see either learning curve effects or experience curve effects as a given. They stress that they are not a universal law or even a strong tendency in nature. In fact, they claim that costs, if not managed, will tend to rise. Any experience effects that have been achieved, result from a concerted effort by all those involved. The goal of scenario planning is to identify broad factors that steer the future in many ways rather than to pinpoint specific future occurrences. It involves making these forces apparent so that, if they manifest systems for environmental analysis may benefit greatly from using scenarios. The Anglo-Dutch company's rise to oil hegemony was aided by the Shell methodology. Every three years, it updates its 20-year scenario plans. Shell employs a framework for two-year global scenarios. Shell's most recent attempts to map the energy markets out to 2050 include two separate scenarios: one in which new fuel technologies, such hydrogen fuel cells, swiftly acquire popularity. The other scenario is in which renewable energy sources gain popularity relatively slowly over time.

Internal Review of the Company concise summary of a play or movie's storyline is referred to as a "scenario," a phrase borrowed from the worlds of theatre and cinema. Scenarios may be thought of as "tales of conceivable futures that could be faced" in the context of strategic management. Scenarios show a changing future in a vivid and dynamic way. They are comprehensive, including both qualitative and quantitative Social, Technological, Economic, Environmental, and Political (STEEP) trends and occurrences. They draw our attention to possible discontinuities and contingencies, encouraging us to think more imaginatively and effectively about the future.

In-house scenario creation is a possibility. The approach consists of a six-step, rather simple procedure with two significant components. The decision focus of the scenarios is the first. The decision(s) that the organization must make are the catalyst for the process. To assist in making such selections, scenarios should be created particularly. The scenario logic is the other important component. As a result, situations acquire a logical framework or organizing principle. A hypothesis, assumption, or belief regarding change serves as the foundation for a scenario's logic. A different interpretation of the uncertainties in the underlying forces that results in a different vision of the future is what each unique scenario logic is: an argument about the future. The actions are: The first objective is to make the decision focus of the whole process clear. The choices that make up the scenario's core tend to be more strategic than tactical. Scenarios may be used to almost every choice or area of strategic concern when external influences are complicated, dynamic, and unknown. In general, scenario design and interpretation will be simpler the more focused the choice or plan is.

After carefully considering the strategic option or decisions, it is time to look at the important deciding elements. These are the main aspects of the future that, in plain terms, we would want to know in order to decide. Even if we can't predict the future exactly, having a "fix" on the direction it will go and a "value" (or range of values) for these aspects would be useful. For example, market size, growth, and volatility could be considered when making a decision about a major expansion of a manufacturing facility. Other considerations might include long-term economic conditions and price trends, future government regulations, capital availability and cost, and the capacity and availability of substitute products or services brought on by new

technology. The next stage is to pinpoint the outside elements that affect the direction and importance of our important decision-making criteria in the future. In this situation, it is possible to employ an environmental scanning/monitoring system to look for signs of change in the job, industry, and microenvironment.

The goal is to begin creating an effective conceptual model of the pertinent environment, one that is as comprehensive as feasible, includes all important trends and forces, and that maps out the important cause-and-effect linkages between these factors. In making an evaluation, we should make an effort to distinguish between trends and events that we think are fairly expected and those that leave us feeling unsettled. An impact/uncertainty matrix, with a straightforward high-medium-low scoring system, can position each of these forces on the matrix in terms of the level of its impact on the key decision factors obviously, all the forces are assumed to have some impact, but some are more important than others, and the level of uncertainty we feel about the direction, pace, or reality of its future course[11], [12].

Establishing a logical justification and framework for the scenarios we choose to generate is the key phase in the scenario creation process. The main difficulty in this stage is creating a logical framework that will generate a reasonable amount of scenarios. In our markets, competition will be "characterized by rising consolidation" or "restructured by the introduction of new firms," for instance, and economic progress will either be "powered by expanding trade" or "hampered by increasing protectionism."

Choose and elaborate the scenarios in step five.

Instead than trying to push the limits of plausibility with a large number of slightly different futures, the goal is to do it with a small number of radically different scenarios.

1. The chosen scenarios must be conceivable, which means that they must fall within the bounds of what reasoning suggests is possible, independent of our assessment of the likelihood.
2. They should be structurally distinct, meaning that they shouldn't be too similar to one another to be anything more than variants on a basic instance.
3. They must be internally consistent, which means that no internal contradictions that would call into question the scenario's veracity may exist inside the set of logics that make up the scenario.
4. They should have "decision-making utility," which means that each scenario and the collection of scenarios as a whole should provide unique future insights that are relevant to the decision focus we have chosen.
5. The scenarios need to contradict the organization's received thinking on the future.

The scenarios must then be expanded upon after they have been chosen. There are a variety of methods to describe situations in more detail, but there are three key elements:

1. A succinct, highly descriptive title that captures the core of what is occurring in the situation while also being memorable. Each title should serve as a memorable summary of the scenario after individuals have heard the scenarios explained to them.

2. Entertaining "storylines" Always keep in mind that a scenario should tell a narrative, and that tale should be interesting, dramatic, logical, and credible.
3. A comparison table of the descriptions. This offers information along certain dimensions to planners and decision-makers. Charts, graphs, and other visual aids may always be added to these three elements to assist make the situations more realistic. The necessity of the choice will once again serve as the guiding element in establishing the scope of this elaboration. Focus: just provide the information required to aid in the decision-making process for executives.

Analyze the Scenarios to Determine How They Affect Decision Making

The scenario process's last stage might provide some preliminary but crucial strategic insights. Suddenly, two queries come to mind. What possibilities and risks are present in all (or nearly all) of the situations, first and foremost? These are the ones on which we should presumably concentrate our strategic thought. How well equipped are we to take advantage of those chances and eliminate or at least reduce the threats? is the second question. The responses to these inquiries provide a preliminary evaluation of the essential abilities that the company requires in order to flourish under the circumstances shown in the scenarios. When the answers to these two questions are combined, they point to certain discrete strategy possibilities (but not yet an integrated strategy) that need further thorough consideration.

Scenario planning is particularly helpful in situations where it's vital to have a long-term perspective of strategy, where there are just a few crucial elements that directly affect the strategy's success, but where there is a lot of uncertainty around those aspects. The two key advantages of this activity are as follows. Management may first compare strategy choices to the circumstances and gauge how sensitive various prospective tactics are. The second is that assumptions about the environment in which the business functions may be questioned using the scenarios. When change is unexpected and the future is hazy, this is especially crucial.

Options and many future situations are matched in the scenario planning approach. In situations with a lot of ambiguity, this strategy is very important. The goal of scenario planning is to identify broad factors that steer the future in many ways rather than to pinpoint specific future occurrences. It makes these factors apparent so that the analyst will at least be aware of them if they do occur. Through scenarios, one may comprehend the forces influencing the future. As a result, it aids companies in making better choices right now.

The four main "driving factors" at play at the moment may be generally divided into the following groups:

1. **Social dynamics Quantitative and Demographic Issues:** For instance, how important will youth be in ten years; softer concerns like Values or Lifestyle.
2. Macroeconomic trends and factors that are reshaping the economy as a whole, such as how the price of petroleum will be impacted by the growth of Siberian oil and gas reserves and changes in the value of the dollar;
3. **Microeconomic Dynamics:** For instance, how may outsourcing alter the fundamental nature of the sector?; Forces at Play, on or inside the organisation itself, etc.

4. **Political issues Electoral:** legislative, for instance, would tax policies be amended if the NDA is unable to form the government in the Center? Regulatory: Will India's drug prohibition be lifted?
5. **Technological issues Direct:** For instance, how will high-bandwidth wireless affect land-line telephony; Enabling: For instance, will the development of smaller and faster chips result in changes to the modes and systems of communication; and Indirect: For instance, will biotech enable simple "body hacking" and thereby compete with more conventional forms of entertainment?

Real problems include elements of all four forces. From the list of driving factors, we should be able to pick out the preset components, leaving us with a number of uncertainties. All doubts first appear to be distinct. Yet, by taking a step back, we may combine groups of uncertainties that share certain characteristics into a single spectrum, or uncertainty axis. We may create a matrix that enables us to identify four highly distinct, but tenable, quadrants of uncertainty if we can condense our full list of connected uncertainties onto two orthogonal axes. In essence, each of these far reaches represents a plausible future that we might investigate.

The result would be a variety of possibilities under various potential future circumstances. The firm will need to continuously monitor the environment to determine which of the scenarios are pertinent to its strategic alternatives at any given moment. A rigidly rationalist approach to strategic decision-making cannot be integrated with the thought process involved in scenario planning. It fits within a distinct way of thinking that views strategy development as a continuous process rather than a single choice.

Indicate if each of the following claims is true or false:

1. SWOT analysis is a well-liked technique for auditing and analysing the entire strategic position of an organisation and its surroundings.
2. Scenario planning considers what will occur tomorrow.
3. The goal of scenario planning is to identify broad factors that steer the future in many ways, not to pinpoint specific future occurrences.
4. The environment analysis system does not use scenario planning in any way.
5. Scenario planning is particularly helpful in situations when it is crucial to adopt a long-term perspective on strategy.

Industry analysis

The strategic competency of an organization is finally evaluated through comparisons.

Conventional approaches are based on historical data and standard practices. The evaluation of organizational competence may be done using financial data, analysis, and comparisons to industry standards, but increasingly benchmarking is used as a foundation for comparison, which includes comparisons of competencies with best practices as well as comparisons beyond the industry. In order to spot any notable changes, industry research compares this year's performance metrics with those from past years. For instance, a firm' finances will be severely

strained by a plan that demands hefty investments in new goods, distribution methods, manufacturing capacity, and working capital.

The extra comparison with comparable aspects examined for the industry as a whole will provide the financial analysis greater context. This aids in putting the organization's assets and performance in relation to its rivals. Nevertheless, a thorough study that covers all of the organization's many operations is required to increase the usefulness of the comparison. This is nice, but often not particularly useful. It may not be feasible to get comparable statistics on the basis of different goods or product classes in multidivisional setups or with diversified firms since this comparison must be conducted from the competitor's publicly available data. This restricts the kinds of comparisons that are possible. The following are some more typical comparative limitations:

Adjustments may be necessary due to variations in accounting standards since data from the balance sheets of various firms may indicate asset values that are not comparable. Competitive comparisons are focused on the stage-wise value contributed by various activities, which is not especially beneficial when the industry as a whole is losing money or doing poorly. Access to very detailed accounts is needed for this. Industry comparisons are unable to do this. Organizations have developed other methods to evaluate the relative strategic capabilities of the company as a result of industry norm analysis' limitations. Business organizations are attempting to find best practices rather than norms in order to set performance standards that are connected to the best practice.

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CHAPTER 19

LIFE CYCLE APPROACH TO STRATEGIC PLANNING

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Organizations that create and choose strategies via these fragmented, incremental procedures might benefit from formal planning and assessment processes the many organizational components and informing their "local" decision-makers of the larger organizational environment. Life Cycle Approach to Strategic Planning. Not merely developing plans, planning may also include shifting perspectives. Command is sometimes used as the primary method for choosing strategies in certain firms, particularly those that are family-run or are visionary in nature. With varied degrees of organization engagement and counsel, the decision is made at the highest level. To guarantee that decisions made via the command process are informed, people participating in formal assessment work hard to do so. If tactics are chosen in this manner, it is crucial that they have some degree of completeness and be practicable.

The vision and aspirations are not a foundation upon which strategy selection should continue without some precise substance in terms of strategic choices development orientations and methodologies. In these situations, the purpose of formal planning is to come up with practical ways to intensify discussion among the decision-makers throughout the choosing process. Nowadays, change is occurring at an accelerated rate. It has produced difficulties, from overt dangers like heightened rivalry to abrupt technology changes. Well-thought-out plans will become more and more crucial for businesses in the future if they want to retain or strengthen their position in the market and gain a competitive edge. They will need to transition to a management style that closely resembles a planned strategy[1]–[3].

The Approach That Was Intended; Formal Evaluation: The ideal is this. Future strategy selection is "logical" in its justification. Options are evaluated directly against the organization's goals, which are quantified where feasible. If the tactics are likely to achieve goals for return on capital or market share, for instance. They provide quantitative "solutions" to help formulate the "correct" plans and determine the relative benefits of various courses of action.

The choice of a strategy is a difficult procedure. The view of the organization's potential and problems, as well as our strategic reaction to them, will inform our strategy. The link between the organization and its competitive environment, the distribution of resources among competing investment possibilities, and the commitment of resources often over an extended period of time needed to realize these opportunities will all influence the choice of strategies.Despite the intricacy of the strategic decision process, the organization cannot exist in a vacuum; it must pick its strategies in order to remain competitive.

The company must assess the strategic choices it may use after engaging in strategy formation. There are three different categories of assessment criteria that may be used while evaluating tactics. The selection process begins with evaluating the appropriateness of strategic choices. A

more thorough investigation of the acceptability and viability of these solutions may be done based on the exercise's findings. It addresses the question of whether a strategy will provide the desired outcomes depending on the organizational context and its strategic aim. There are several analytical methods that may be used to bring about clarity. The Life Cycle Analysis examines the stage of product development, the Portfolio Analysis evaluates the strategy's capacity to improve the balance of activities, the Business Profile evaluates the financial performance, the Positioning assessment informs the organization of the viability of the position, and so forth.

Value Chain Analysis can tell if a plan will increase value for money and capitalize on an organization's key skills. An organization may employ all of these methods alone or in combination. In the paragraphs that follow, a brief description of each of these analytical techniques is provided[4].

The Life Cycle

Portfolio matrix is what this is. The competitive environment of a market determines its status. They have been divided into five groups, from strong to weak. The stages of product development include embryonic, growth, mature, and ageing. The matrix's goal is to determine if certain tactics are suitable in regard to the two dimensions. In accordance with the product's location in the life cycle, it illustrates the probable or appropriate tactics that may be used. Eight external elements often define the position of the product throughout the life cycle: market growth rate, growth potential, product line breadth, number of rivals, and distribution of market share among these competitors, customer loyalty, entrance hurdles, and technology.

By examining the traits of each category, one may also determine the organization's competitive position within its industry. Except for governmental monopolies, few firms have a dominating position in a certain sector of the economy. For instance, the Government of India established the State Trade Corporation and the Mines & Minerals Trading Corporation in the early 1960s to provide the Government stronger control over foreign currency. Oil & Natural Gas Company (ONGC) still has a monopoly-like position in the exploration market. Under the monopolies prevention laws, the State often has authority over dominating companies. Nonetheless, it is feasible for a company to have a dominating position in a certain market or set of goods.

Strong organizations are those that are able to implement plans without worrying about threats from rivals. A corporation is in a good position when no one rival shines out yet the company is still in a better position than others. The organization is either sustained by specialization or will have difficulty surviving independently in the long term if it has a tenable and poor competitive position. Michael Porter advocates the fundamental idea of positioning while deciding on the general tactics for competitive advantage. So, determining whether demand is anticipated to increase or decrease may help determine if the current and future posture is feasible[5].

For instance, the feasibility and appropriateness of presenting a product or service using a differentiation strategy depends on the quality of the resources and the distinctiveness of the competences. Using the structure one may assess the organization's suitability for supporting a certain stance. Which of these resources and competencies is most likely to provide the resources and competencies needed to support the strategy? Expense reduction increased value in terms of

customer needs that will be enduring or difficult to imitate rare complex tacit valuable List the primary resources and abilities that underlie the plan as the first stage in the review of its applicability for the company. You must fill up column A of the table in order to finish the first step.

Then, they are evaluated against two key corporate capabilities. Cost reduction and value addition are two abilities that significantly influence the result. They are included in columns B1 and B2 of the table above. It is important to consider if each of the abilities listed in A boosts efforts to reduce costs or increases the perceived value. On a scale of 1 to 5, a score is assigned. For instance, internal R&D efforts may result in considerable cost savings and distinctive product characteristics that consumers find valuable. Hence, it would do well in columns B1 and B2, as well.

In order to determine if a resource or competency is sustainable and/or difficult to duplicate, the analysis must reexamine each one. Competencies from the Life Cycle Approach to Strategic Planning are sources of competitive advantage. Consumer value, rarity, complexity of replication, and integration into the tacit knowledge of the business are among the characteristics used to assess the competitive advantage gained via resources and abilities.

In general, few assets and skills are difficult to duplicate. Competitive advantage often depends less on specialized resources and skills and more on an organization's capacity to manage connections across various operations. To prepare resource plans for the strategy and to determine its key success determinants, it is helpful to evaluate the link between the general product/market strategy and the strategic competence of the company[6], [7].

A variety of methods have been developed for representing the activities of a diverse company as a portfolio of firms. The methodologies provide straightforward frameworks for evaluating the performance of several Strategic Business Units (SBUs) combined. A SBU is a company that is run as a profit centre, may be planned independently from other companies, and has its own set of competitors. The development of company strategy is where portfolio analysis techniques are most useful. It helps to determine the consequences for resource allocation by outlining and describing the various companies in the organization's portfolio.

A corporation's portfolio of Strategic Business Units (SBU) is referred to as a business portfolio. The best business portfolio is one that properly plays to the company's advantages and aids in capitalizing on the most lucrative areas or sectors. A SBU might be a division of a huge organization or an entire mid-size business. It often has its own business-level strategy and frequently has different goals from the parent corporation.

A portfolio analysis's objectives are:

1. Examine the company's present portfolio of businesses to determine which SBUs need more or less funding.
2. Create expansion strategy for incorporating new companies and products into the portfolio.
3. Choose the companies or goods that should no longer be sold.

Several of these matrix studies are based on work done by the Boston Consulting Group in the 1960s (BCG). BCG noted in several of their studies that when manufacturers acquire expertise creating their products, they tend to become more efficient, and costs often fall with cumulative output. They developed a theory to explain how a company with the largest market share in the sector would often have the largest cumulative volume of output and, therefore, the lowest cost in comparison to other producers in the market.

The development of company strategy is where business portfolio balancing techniques are most useful. It helps to determine the consequences for resource allocation by outlining and describing the various companies in the organization's portfolio. The most well-known paradigm for portfolio planning is the BCG Matrix, created by Boston Consulting Group. Another well-known portfolio structure is the GE/McKinsey Business screen, however it is a more intricate variant of the BCG matrix. These methods are intended to help you create growth plans for adding new firms and items to your portfolio as well as determine which ones shouldn't be kept.

Indicate if each of the following claims is true or false:

1. The identification of fundamental organizational units serves as the starting point for strategic fund programming.
2. A market penetration plan can need increasing the amount of money invested in the present firm.
3. The stage of the goods' development is not examined in A.D. Little's Life Cycle analysis.
4. Michael Porter championed positioning as a fundamental idea for defining the general tactics for competitive advantage.
5. Strategic fund programming only finds viable possibilities under various physical hypotheses.

Funds are used to maintain the same level of output or services, preserve the company's "market share," or continue to expand at a certain pace. The new initiatives necessary to achieve the organization's aims and objectives are funded strategically. They are used to fund direct costs for R&D, marketing, advertising, and promotion as well as to raise working capital and acquire new assets like machinery, buildings, and inventories. In the private sector, mergers, acquisitions, and market expansion are also done with the help of strategic funds. For instance, a market penetration plan would include a more significant financial investment in the present company. The aggressive deployment of strategic finances for advertising and promotion is often required for market growth strategies. To generate more diverse goods and services and to create new markets for them, a corporation must deploy strategic capital.

The identification of fundamental organizational units programmed or budget units and the creation of goals and objectives for these units serve as the starting point for the programming of strategic funds. By deducting baseline funds from total assets, the organization's available strategic funding may be calculated revenue or appropriation. The aims and objectives of each unit must be carried out via the development of strategies. After estimating the amount of money needed for each method, it is possible to evaluate them based on how well they could help

accomplish the stated goals and objectives. The types of strategic funding available and the amount of risk associated must be taken into consideration while doing this rating[8], [9].

Each programmed should get a portion of the available strategic funding based on a set of criteria. When finances from internal sources are completely depleted and when easily accessible credit sources are exhausted are the two critical decision points for risk and return. The organization's financial structure must now be examined in order to determine if any adjustments to the planned plans are necessary. The last stage is to set up a management control structure to keep an eye on how money is raised and used to achieve the intended goals.

Strategic fund programming only provides workable solutions under various budgetary hypotheses. Before selecting the ultimate solution, a further analysis of risk and return on investment is required.A cash cow is a business venture which generates a steady return of profits which far exceed the outlay of cash required to acquire or start it. Many businesses attempt to\create or acquire cash cows, since they can be used to boost a company's overall income and to support less profitable ventures. The term is also sometimes used in a derisive \sway, usually in a discussion of the complacency of a company about a profitable product.

The classic example of a cash cow is a milk cow. Milk cows require a small capital outlay when they are acquired, and minimal maintenance costs afterwards. In return for their low maintenance costs, milk cows generate milk throughout their adult lives, along with calves. Since the 1600s, people were using "milch cow" to refer to a profitable venture; the modern term "cash cow" emerged around the 1970s. Several features distinguish a cash cow. The first is the relatively small capital outlay and maintenance costs. A cash cow also typically represents significant competition in \sits market, and it typically generates innovative and interesting products which capture ever-larger market shares. Cash cows tend to attract customers with an array of products and favorable pricing schemes, although some cash cows also sell more expensive products; Apple's famous iPod line is a classic example of a cash cow in the technology sector.

Although a cash cow can be very beneficial for its parent businesses, there are some cautions involved in dealing with cash cows. One of the major problems that companies face is complacency when handling their profitable cash cows. For a cash cow to succeed, a company needs to respond to changes in the market, ensuring business growth and a dependable flow of cash. If a cash cow is allowed to remain stagnant, other companies \swill capture its market share. The term "cash cow" is also used in a totally different context, to refer to companies or organizations which have no control over their spending. In this sense, sections of a government budget like defense may be called cash cows, in a reference to the fact that taxpayers are being milked to pay for them. The implication with this sort of cash cow is that funds are being inefficiently and poorly used.

If I were to give you a thousand rupees today, would it be the same as giving you a thousand rupees after 5 years? Obviously, the answer is that it is not. Even if you were put a thousand rupees that you got today in a bank on a compound interest of 10 percent, you would get about two thousand rupees after 5 years. Money loses value due to time; it also loses value due to risk and many other factors. To get around the problem regarding the value of time, the payback

period analysis should be used along with discounted cash flow analysis, e.g., the net present value of the project, or the internal rate of return.

Discounted Cash Flow (DCF) analysis is the most widely used investment appraisal technique, and it essentially extends the payback period analysis. Once the net cash flows have been assessed for each of the years they are discounted progressively at a predetermined rate, usually the cost of capital. The Net Present Value (NPV) of the venture is then calculated by adding all the discounted annual cash flows (after taxation) over the anticipated life of the project[10], [11].

A benefit cost ratio is, as the name implies, simply a ratio between the sum of the benefits, measured in some manner, and the costs of the project. There are two versions of the benefit-cost ratio analysis. There is the undiscounted benefit-cost ratio analysis and the discounted benefit-cost ratio analysis.

Undiscounted benefit-cost ratio again has two versions, which we may label "gross" and \s"net" respectively. In the former, benefits are calculated without deducting depreciation, then added and the sum divided by the investment cost. In the net version, depreciation \sis deducted in computing the benefits. In the undiscounted version, the benefits are taken \sat face value, while in the discounted versions calculations are based on a discount factor. A discounted benefit-cost ratio is a somewhat more sophisticated tool. It is the ratio of the present value of the future benefits, at a specified rate of discount, to the present value of the present and future investment outlays and other costs, at the same rate.

The discounted benefit-cost ratio takes account of all income, whenever received. The introduction of compound interest into the calculation effectively gives more weight to early receipts than to late ones; so that this is the first criterion we have examined which gives effect to both principles. It can be used to solve problems of choosing techniques by calculating the incremental benefit-cost ratio on the incremental investment required for the more expensive project. There are different possible values of cost of capital. The cost of capital is of crucial importance in this technique, since rankings will be dependent on the value of the cost of capital chosen. Consider the following two projects:

A. A costs Rs.100.00 and returns Rs.106.00 in year.
B. B costs Rs. 100.00 and returns Rs. 112.36 in two years time.

When calculated using discounted benefit-cost ratios at 5 percent, 6 percent and 7 percent respectively, if the discount rate is 5 percent, project B is better. However, if it is 7 percent project, A is better. The yield is exactly 6 percent. If the required rate of return \sis 6 percent, we can be indifferent whether we accept either or both. If it is 5 percent, both are profitable, while if it is 7 percent neither is. Judging them on the two basic principles concerned in investment decisions, the 'bigger the better' principle and the 'bird in the hand' principle, both versions of Benefit Cost Analysis comply with the 'bigger the better' principle. The discounted version complies with both.

Cost Analysis is a very useful technique and this method is especially of great use in giving accept-reject decisions. Uncertainty threatens all decisions taken about the future. The strategy

selection process has to look into the future and predict outcomes. There is no certainty on the quality of the strategy, and of the impact of the environment on strategy. Sensitivity Analysis (SA) \sis a useful technique for assessing the extent to which the success of a preferred strategy is dependent on the key assumptions. Sensitivity analysis allows each of the important assumptions underlying a particular strategy to be questioned and changed. In particular, it seeks to test how sensitive each of these assumptions is to predicted performance or outcome.

Good modelling practise requires that the modeller provides an evaluation of the confidence \sin the strategy, possibly assessing the uncertainties associated with the outcome of the strategy itself. For example, the key assumptions underlying a strategy might be that market demand will grow by 7 per cent p.a., or that the inflation rate will be limited to 3 percent. Sensitivity analysis asks: what would be the effect on performance if the market growth is only 5 percent? How would this impact the strategic decision? How important is the market growth in the decision process? A similar process might be repeated for the other key assumptions. This process helps management develop a clearer picture of the risks of making particular strategic decisions and the level of confidence it can have in a given decision.

It is sometimes referred to as 'what if?' analysis. Sensitivity Analysis is a mathematical technique that is defined by a series of equations, input factors, parameters, and variables aimed to characterize the strategy being investigated. Its use grew with the incorporation of the mathematical equations in the form of computer spreadsheet packages, which are ideally suited to this type of analysis. These tools characterize the uncertainty associated with a strategy and are used to determine. The quality of strategy definition factors that mostly contribute to the variability of the results. The range in which the strategy variation is maximum interactions between the different environmental factors.

There are several possible procedures to perform sensitivity analysis. The most common sensitivity analysis is sampling-based. A sampling-based sensitivity is used when the variables or input factors are subject to many sources of uncertainty. Sometimes, there is absence of information and poor or partial understanding of the driving forces and mechanisms. This imposes a limit on the confidence in the response or output of the model. In the sampling based analysis, the model is repeated for combinations of values sampled, thereby increasing the level of confidence in the results.

The choice of which SA method to adopt is difficult to specify as each technique has strengths and weaknesses. Such a choice depends on the problem the organization is trying to address, on the characteristics of the strategy under study, and also on the computational cost that the organization can afford. SA is used to increase the confidence in the strategy by providing an understanding of how the strategy variables respond to changes in the inputs. Computational models of sensitivity analysis can be used for a variety of settings and purposes. We can gain insight of possible outcomes of financial investments, the choice of strategy including analysis of options, the assessment of environmental impacts, etc. Sensitivity Analysis models depend upon the information fed into them, upon their structure and upon the framing assumptions made to build them.The same analysis that we described in that section can be carried out on the new investment. Then the data on the new investment can be added to the organization's financial

data and an analysis of the combined data carried out. Some of the types of analysis that can be considered, depending on the requirements of the organization. Although the evaluation of strategies may be assisted by the use of one or more of these financial techniques, it is important to recognize some of the implicit assumptions which Strategic Management inevitably limit their use as comprehensive techniques of strategy evaluation. The analyst should use more than one method to evaluate strategy and should evaluate the investment both as a stand-alone investment and also combine it with the operations of the firm to come to a conclusion. During the 1980s, attempts were made to address many of the limitations and criticisms of traditional financial analyses including looking at how corporate development strategies were, or were not, generating shareholder value. These factors generated Shareholder Value Analysis (SVA) (SVA). Applying this within the strategic management process requires a new mindset which is called value management.

SVA recognizes the complex interdependencies between the strategic business unit and the investment decision. Therefore, it evaluates strategies at the SBU level and not just separate projects. It also tries to identify and evaluate the key cash generators of the business, which are called value drivers. However, it is highly subjective as the drivers and their interdependencies are complex and addition to customer value does not necessarily mean that value to the organization is added. It also does not remove many uncertainties surrounding strategy evaluation. Value management's focus on value drivers in making strategic decisions and in implementation and control, however, makes it an important \technique of strategy evaluation.

Expected return for shareholders: Shareholders would like the return on assets \snot to be diluted with the new project. The criteria should perhaps be that the project will add to the expected return. Return on Equity (ROE): It is a basic measure of the efficiency with which the firm employs the owners' capital. The shareholders would like the ROE to improve \sin the long run.

ROA is an Economic profitability. It addresses the question: How much profit the corporation is generating from the use of its assets? "EBIT, profits before interest and taxes, is the money made by the company without regard to show it is funded; hence EBIT (1 - t) is income after tax where “t” is the corporate tax rate.

ROA= [EBIT.(1-t)/ Assets] \sx 100

In order to raise ROA, one may either increase profit margin via cost-cutting measures or revenue growth, or asset turnover by increasing capacity utilisation or WCR efficiency. Money flow a fundamental and essential concept for financial management is operational cash flow, often known as cash flow supplied by operations. It assesses the company's capability for survival and long-term development by determining its ability to create a flow of cash via its ongoing activities.

Operational cash flow (OCF) is calculated as Net profit after tax (PAT) plus depreciation, which results in Internal Generated Funds (IGF) and either an increase in WCR or a decrease in WCR Const. The company's investment and finance practices rely on the OCF as its primary and most important source of capital. The more freedom and flexibility it provides the company to develop its own strategy without restriction and interference from finance, the higher it is, the better it

is.According to EVA, a business or division only generates value for its shareholders when its operational income is greater than the cost of capital employed. By utilizing the company's WACC to discount the Free Cash Flows on all new projects, the weighted average cost of capital (WACC) is also used as a foundation to evaluate investment initiatives. But, in a perfect world, every project would be assessed at its own Opportunity Cost of Capital (OCC). The utilization of capital is essential to the actual OCC.

Condition:

$$ROA > WACC, IRR > WACC, \text{ or}$$

Investors strive to maximize the value of their shares. If a project has a positive NPV, investing in it is justified. In this situation, we benefit shareholders by creating value. The trade-off between anticipated risk and expected return in the capital market is modelled by the CAPM. It examines the market-based corporation. Using assumptions about risk, the CAPM forecasting model enables the determination of predicted profitability. Instead of using a historic ß, one should use a predicted ß to utilize it properly.

The assumptions behind the calculations above are that the risk premium from the market portfolio (such as the S &P 500) would remain constant through time and into the future. It is preferable to utilize the current Risk Free Rate at the time of Evaluation if the Risk Free Rate is not stableover Time. The fundamental criticism of ß is that it becomes unstable with time. It combines a lot of information into one value, yet this strength also serves as its primary flaw. A fundamental indicator of how well a company uses its owners' money is the return on equity (ROE), which calculates profits per rupee of invested equity capital. It includes the effects of the company's financing strategy, or how the assets are funded. The term "financial leverage" refers to this.

$$(\text{Profit/Sales}) \times (\text{Sales/Assets}) \times (\text{Assets/Equity}) = \text{Return on Equity}$$

The three layers of management control of ROE are shown in this breakdown. Moreover, it shows how two businesses might have the same ROE even if they used quite different strategic combinations.

$$ROA + [ROA - i].D/E = \text{Profit/ Equity}.$$

Where I stands for interest rate, "D" for debt, and "E" for equity or

Leverage plus ROA plus ROE

Dividend Policy

The requirement for equilibrium on healthy capital markets is that all assets in an equal risk class are priced to provide the same anticipated "r" at any given moment. The present value of an endless dividend stream may be used to calculate the price as of right now.

A. Po = Div1/r, where r is equal to [Div1 + P1] - Po.
B. Po: The current cost
C. P1: anticipated price for the year's conclusion

Expected dividend on share "r" is a return to stockholder, per division one. The prerequisites for the financial success as seen from the standpoint of the shareholder are outlined in the table. Also, it would be advantageous to do a shareholder analysis to gauge stakeholder response to the specific approach. For instance, a new strategy can call for a considerable 190 Strategic Management share issuance, which would be unpalatable to shareholders with significant voting power. A good tool to predict both the level of interest stakeholders may show in the plan and if they have the ability to influence the choice is stakeholder mapping.

Indicate if each of the following claims is true or false:

1. The learning curve and the experience curve are connected.
2. The experience curve covers the whole range of potential work elements.
3. The BCG Matrix shows how much the company's goods contribute to its cashflows.
4. Discounted Cash Flow (DCF) may be used to compare the financial advantages of plans with substantially varied spending and return patterns.
5. The benefit-cost ratio compares the project's total benefits to its total expenses.

Danger is a reality of doing business. We are unable to make flawless predictions, thus there is risk. If we could, we would avoid making judgments that are not lucrative and meticulously arrange how we would fulfil all obligations. The probability of unanticipated changes or departures from the firm's projected cash flows is a risk. There are several causes for these. Business risk might actually fluctuate inversely with project risk rather than directly with it. The riskier project is preferred from the perspective of lowering the risk to the organization when we join any two operations that individually create money and there is a negative connection between the income stream of the project and the existing operations. That also holds true when the project's results significantly deviate from those of the ongoing activities. In actuality, this is one of the causes behind an organization's conglomerate diversification.

In order to create a project plan that increases the likelihood of success, the company assesses possible risks to the project opportunity as it is being considered. While managing risk, the decision-involvement maker's is crucial if the decision-making process presents conceptual or practical difficulties. Thankfully, risks may be planned for. At the start of the active project activity, at the beginning of each new phase, and as part of a feasibility assessment, risk identification is often done for major projects. Risk factor tables are used to aid in the identification process by capturing signs of frequently encountered dangers.

The project exposure for each risk is determined by analysis of the identified hazards, along with which risk factors need to be addressed first. The product of the probability that a risk will materialize and the severity of the resulting effects is known as risk exposure. Rarely, the project's total risk exposure will be so great that it will be unable to achieve the potential it represents at a fair cost. Nonetheless, in most circumstances, focusing on the biggest risk will enhance the project's potential. While the first risk analysis addresses those hazards found early in the project, further research may be required as it moves forward. When a new risk is discovered, its exposure is examined and contrasted with the risks that are currently being managed.

Depending on the cost of the mitigation action and the rating of the new risk relative to existing risks that are currently being managed, the new risk may or may not be addressed with a mitigation measure. Hazards may be managed in a variety of ways. Other options include: l Take the risk with no outlay of money or effort. When the expense of mitigating is more than the exposure and the exposure is tolerable, this is justified. Shift the risk to a third party or accept a risk-sharing arrangement. This is arguably the most successful strategy if a client or partner is better equipped to manage the risk.

Fund and personnel initiatives to lessen the likelihood that the risk may turn into an issue. These mitigating measures might include hiring more people to work on the project, giving team members with specialized training, or pursuing a dual development path for the whole project. If the risk arises, fund and staff the measures to minimize the loss related to it. Contingency plans may be prepared and then put into action if large risks become problematic and cannot be minimized or when countermeasures are unreliable. In contrast to the preparations for project deliverables, contingency plans are often budgeted for separately and authorized. The project team monitors risk management progress throughout the project to verify that: l measures that should minimize the likelihood of occurrence are successful

Effective measures to limit the loss associated with the risk the contingency plan is implemented when hazards for which there is no feasible mitigation measure have reached the trigger threshold. The team also keeps an eye out for new hazards that need to be handled as well as any changes to the likelihood or effect of risks that have already been identified. The following verification actions are relevant for management when risk management is being done: Include the state of risk management among the factors being assessed while assessing project progress. Check to see whether the project manager and team are carrying out the planned risk management and risk mitigation measures. When management is needed to help with risk management duties, make sure that the management tasks have been completed in accordance with the established plan. The strategic analysis of the company serves as the foundation for strategy review.

Businesses today are under new deflationary pressures that are reducing profit margins and the amount of money available for expansion. Several management thinkers do in fact question the viability of current business models and if it is necessary to create new ones in order to address the problem. Similar difficulties seem to occur sometimes. A significant era of growth was stopped in June 2008 by skyrocketing oil costs and a startling 11.5% level of inflation. Risk capital dried up, equity returns plummeted, and the economy stagnated. Nonetheless, some businesses showed resiliency even then. Due to these circumstances, strategic planning as we know it today was revolutionized. It is especially important for strategists to think clearly and soundly during these trying times. We must devise tactics that will increase our chances of surviving in this paradigm-shifting environment.

The issues that characterize today's economic environment recession aftershocks, enormous new risks, persistent uncertainty put a higher value than ever on sound company strategy. A firm must have the ability to change as quickly as they do without losing control of operations if they are to address the difficulties of discontinuity and succeed in these marketplaces. Taking strategic

control of businesses while decentralizing operational control will be management's major job for the next century. Future organizations' strategic focus must be on discovering methods to relax constraints without losing control. In these difficult situations, we need to consider strategic decision-making.

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CHAPTER 20

FROM STRATEGY FORMULATION TO EXECUTION: AN ANALYSIS OF STRATEGY IMPLEMENTATION PROCESSES

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These new organizational designs are predicated on the capacity to choose areas of leverage wisely. The business units have an asymmetrical and erratic connection with one another. These organizations' asymmetrical nature goes against conventional ideas of equilibrium, equality and justice. Its business units have adaptable ties with one another. For instance, R&D for two enterprises may be handled centrally, but not for a third. Instead, the corporate center could oversee certain operations in one business unit but not in another. According to the argument, just as there are distinctions between an established company and a start-up, there are also variances between units that must be acknowledged. The corporation must refrain from imposing uniform policies and practices that disregard the particular needs of each business unit. Hence, it enjoys many of the benefits of small company units.

This sort of organization's organizational structure is built on conflict. Conflict inside the company is often necessary and inevitable in order to develop creativity and to nurture new ideas. While this structure has more benefits than drawbacks, managing this kind of organization is difficult. So that the dispute does not spiral out of control, it must be controlled. In order for the strategic decisions to be integrated with the overall organization's vision, management must establish a link between the corporate center and the unit.

Some businesses see the company as a portfolio of resources and chances to produce value, as opposed to a portfolio of business units. These businesses have the option to apply the most beneficial resources to the most exciting prospects because to this opportunity-based design viewpoint. For instance, the Norwegian government proposed a plan for a new airport in Oslo in 1994. Engineering firm ABB has a decentralized organizational structure. The airport project was given rapid leadership by an airport project leader who convinced ABB's local companies to cooperate with him. These companies provided the whole range of resources required for the project thanks to their networks. ABB was able to secure 70 airport contracts worth more than $300 million because the project manager the "opportunity owner" was given the authority to manage these resources and because the heads of ABB business units and functions the "resource owners" were willing to commit them to an opportunity that others had identified[1], [2].

Owners of opportunities and resources generally operate inside or alongside the business-unit structure in opportunity-based designs. Thus, the organization has to be handled on two levels. Its foundation consists of a number of reliable business divisions that manage the company's daily operations, including the development and marketing of certain goods. On top of that, there are a variety of flexible "opportunity units" that combine components from various industries to work on certain projects. The organization that results is more complicated and presents fresh

management difficulties. Designing for opportunities allows established businesses to mimic the market responsiveness of start-ups without giving up the benefits of size and breadth.

The consequences of this opportunity-based structure for an organization, and specifically for human resources, are complex. Everything in a typical line organization, including jobs, responsibility, and decision-making procedures, is tightly linked to the formal structure. Yet when individuals start to see themselves as entrepreneurial resources that can be used for a variety of possibilities, everything changes. Employees in this situation must juggle many separate tasks in order to advance their careers both upward and outward.

Modern business practices now call for the firm to use operations, technology, and expertise across the board while using a variety of corporate structures to gain a competitive advantage. The work of organization is especially difficult since most major corporations operate in more than one industry, and even those that only produce a single product will likely strive for excellence in a number of areas[3]. Multi-divisional organizational structures are often adopted by organizations with targeted approaches. This concept is used by many Indian businesses. For instance, Tata Motors was set up at Jamshedpur with the Automobile Division, Excavator Division, and General Engineering Division as its three main industrial divisions. Escorts Ltd. was divided into many divisions, including one for farm equipment, one for motorcycles, one for agency sales, one for automobiles, etc.

Corporate management is more likely to be effective in determining the strategic direction of the various divisions when activities are tied to a smaller number of firms. Extremely diverse firms perform best when corporate management maintains a "hands off" attitude towards the various components. The degree of decentralization and self-containment required increases with the variety of the companies in multi-business enterprises. A variety of new hybrid organizational designs have been developed as a result of the difficult problems.

An industrial corporation could, for instance, include customer-focused business units dealing with sales and services that are structured by the industries they serve, as well as production units that are geographically organized by product. Complex coordination is necessary for these hybrids, which is encouraged by cutting-edge information technology and collaborative business cultures. To achieve results, various strategies need various organizational structures. The organizational structure must support the competitive strategy of the company. In contrast to an organization using the differentiation strategy, which requires a learning structure with strong horizontal coordination, a low-cost leadership strategy requires that the organization be designed for efficiency. Therefore, organizational structure and design are crucial in the context of organizations' strategic management.

The issue depends on a number of factors, including environment, strategy and goals, culture, technology, and size. Even two organizations that compete in the same industry with a similar set of products, technologies, and markets may find that a structure that works for one organization may need some modification in another[4], [5].Strategic planning the schematic link between structure and how the organization benefits from good organizational design is represented. An organization's structural elements make it easier to put organizational strategy and policies into

practice. They create systems of control and inspection, and they distribute responsibility and authority. If the organizational structure is well-designed, it promotes desired behavior.

Most importantly, it gives the work done by the corporation's employees a purpose. Additionally, it supports the organization's aggressive strategy. As a result, one of the prerequisites for competitive advantage is a strategy-structure fit. A low cost advantage created by effective organizational design can increase profits by optimizing bureaucratic costs. Additionally, improving the organization's capacity for value creation results in advantages in terms of differentiation and the capacity to charge a premium price, both of which have an effect on the bottom line. It is necessary and crucial that the organizational structure aligns with and concentrates on advancing organizational goals in order to maximize the benefits to the organization. There should be metrics by which an organization can judge whether or not the organizational structure is working in its favor.

How to organize tasks, functions, and divisions; how to assign authority and responsibility; whether to have a tall or flat organization; how to ensure a minimum chain of command; and whether to have centralization or decentralization are the main factors that need to be taken into account when deciding on the design of the organization. The design should include integration and integrating mechanisms; it should define degrees of direct contact, liaison roles, and the function and structure of specialized teams. These are additional important requirements for organizational alignment.

The presence of one or more of the structural deficiencies listed below could be a sign that the structure is out of alignment. The organization does not adapt creatively to a changing environment, decision-making is slow or of poor quality, and there is a lot of internal conflict due to departments working against each other[6], [7]. An analysis of the structure is required in case it emerges from its symptoms that there is a lack of alignment or that such a threat is about to materialize. Analysis entails looking into all of the potential influences on the organizational structure. There is a lot of evidence to suggest that an organization's size has a big impact on its structure. It has been observed that the number of hierarchical levels increases along with the size of the organization.

The degree of specialization and horizontal differentiation increases with the size of the organization. There is a corresponding rise in vertical differentiation to facilitate coordination. It becomes more challenging for top management to directly monitor what is happening throughout the organization due to the increase in complexity. Therefore, formalized rules and regulations take the place of direct control and communication. This widens the gap between top management and operating level, which frequently prevents the organization from taking quick, informed decisions.This kind of issue necessitates a redesign of the organization to increase decentralization of decision-making. A new organizational framework is the outcome. However, organizations have recently created new structural models, frequently aimed at enhancing horizontal communication. All organizations need a mix of horizontal and vertical linkages because the former are primarily intended for coordination and the latter for collaboration. The relationship between the organizational structure and the capacity for information processing.

Vertical Information Linkages: The organization chart's lines serve as a channel for communication both up and down the chain. Vertical links place a strong emphasis on control and efficiency. For repetitious problems and decisions, rules or procedures are established so employees know how to respond without communicating on each separate issue. For example, the strategy for budgetary control is through an increase in vertical information capacity in the form of periodic reports, written information and computer-based communications distributed to managers.

Horizontal Information Linkages:

Horizontal linkages emphasize on learning. Many organizations require a considerable amount of information flow. Structure that is flat is more responsive to flow of information. Organizations that require large amounts of information flow are normally designed with flatter organizational structure. A functional structure will have the largest number of vertical links and the minimum amount of information processing capabilities. Such organizations are typified with values that promote control, efficiency, stability and reliability. The least number of vertical linkages are found in a horizontal structure and it has the maximum information processing capability. These organizations value coordination, change, learning, innovation and flexibility. The other organizational structures fall in between these two. The structure must fit information requirements of the organization so people have neither too little information nor too much irrelevant information.

Where flatter organizational structures are not possible, cross-functional information systems can be used. These enable employees to routinely exchange information. Alternatively, a liaison role can be used. This involves identifying a person in one department who has the responsibility for communicating and achieving coordination with another department. Where the problem is more acute, task forces or temporary committees composed of representatives from each department which links several departments are used to solve common problems. The task force is disbanded after tasks are accomplished. Specialized tasks, hierarchy of authority, rules and regulations, formal reporting systems, few teams or task forces, centralized decision making

Horizontal linkages emphasis on learning

Shared tasks, relaxed hierarchy and few rules, face-toface communication, many teams and task forces, informal / decentralized decision making depending upon the nature of the business and the core capabilities required for the functions of the organization, the linkages need to be selected.The external environment influences the effectiveness of the firm's day-to-day operations and its long term growth. Factors such as economic conditions, changes in market conditions, advances in technology, legal and political conditions, all come within the purview of environment. If the structure fits the type of environment that it faces, the organization will be more successful. Often, different departments and divisions of the organization may have to respond to different environments. The structure of these sub-units should be designed taking this into consideration. For example, many medium sized organizations in India prefer to set up small legally independent units rather than consolidate their operations due to the legal protection provided to workers and to avoid union formation.

To be effective, the basic structure is governed by a set of rules and regulations, reward punishment systems, information networks, control procedures, etc. These apply to the people who are a part of the organization. The result is the organization attracts and retains those whose attitudes, aspirations, experiences and roles as organization members are related to and reflected in the structure of the organization.

Depending on the nature of the work, it is necessary to design the organization for excellence in performance. Organizations should accommodate the psychological needs Strategy Implementation of employees adequately. Choosing the right structure for the type of people the organization requires, therefore, assumes importance. For example, an organization in the knowledge industry will require a structure that is different from that of a manufacturing organization. An international organization's requirements of its people and organizational structure may differ significantly from that of a local organization[8].

Changes in the nature of business, social structures and technology are bringing in new aspects into organizational design. The new forms of organizations will perhaps be intelligent organizations. What characterizes 'intelligent organization'? Until quite recently, \sif we wanted to answer this question we would have looked for it in the automobile industry, such as Toyota. Until very recently the 'lean production' associated with Toyota would have been seen as the very model of ultra-modern and intelligent management, where cross functional teams are used to improve operations and increase productivity.

The use of cross-functional teams to improve operations and increase productivity is not new. In the USA, as long ago as the 1930s Mogenson's 'work simplification' process utilized problem-solving teams, and the 'Scanlon Plan' involved the establishment of 'productivity committees' to explore ways of improving productivity. The engineering concept of 'Group Technology' (GT) aims to exploit product and process similarities in order to achieve smoother production flows in job-shops producing batches of parts or product. The origins of GT have been traced back to the concept of 'group production' which was introduced during the early 1920s in Germany. This was an attempt to re-integrate through the production of whole families of parts or products by teams of workers conducting complete work sequences.

Cellular manufacturing is an application of group technology where a portion of a firm's manufacturing system has been converted to cells. A manufacturing cell is a cluster of dissimilar machines or processes located in close proximity and dedicated to the manufacture of a family of parts that are similar in their processing requirements.

The 'Toyota Production System' also called as 'lean production', has been heralded by many commentators as the future for competitive manufacturing. It is a team concept \sand incorporates a philosophy of constantly reducing production costs through the progressive elimination of waste. This waste is seen everywhere in the manufacturing operation, and includes excessive work or 'over-production'. This has given rise to the Just-in time system (JIT). JIT is a simple principle that includes 'produce and deliver finished goods just-in-time to be sold, sub-assemblies just-in-time to be assembled into finished goods… and purchased materials just-in-time to be transformed into finished parts' In Japanese management practice, the team concept is

mainly associated with kaizen or continuous improvement, the constant drive to remove waste from the production process. Central to this are suggestion schemes which capture the skillful, creative thinking or inventive ideas, from workers, either as individuals or through the team-based activities \sof quality circles. The Japanese have developed it to a fine art[9].

Yesterday's organizations were modelled on the automobile industry as a standard. The standard was lean production and flexible manufacturing systems, where small batches can be rapidly set-up, produced, and equipment rapidly reconfigured to start-up 218 Strategic Management manufacturing another set of small batches. Today, as the automobile age is overtaken by the software age, we have to look instead at firms like Microsoft and Intel to project what these developments might be. What would the 'best practice' prepare us to see?

In addition, there will be a 'specialization' aspect of the niche or specialist market and marketing, as opposed to mass markets. Organization will be designed to move on 'push' and will be designed to respond effectively to it. Development in tomorrow's organizations will also consider the 'flexible' aspect to the restructuring of the labour market and the labor process. Flexible specialization based on Information Technology (IT) will the hallmark of new organizational structures that will evolve from this philosophy.

New structures will be based on the tacit learning and embedded skill of the work forces with the objective of making them portable. As it becomes increasingly possible to embed learning and skills and make them portable, the innovations of the cleverest countries will rapidly be standardized, modified and abstracted into organizational processes in the least clever of countries. Here, workers with lower standards of schooling and education \scan be organizationally tooled-up to match the competencies of more creative employees in the cleverest of countries. According to Mintzberg, one of the basic building blocks of organizational design is the ideology or culture of the organization. This consists of the values, beliefs, and taken for granted assumptions. It is essential to study the culture of the organization in order to design an organizational structure that functions properly.

The strategic decision is taken by the Governing Board. The strategy decided upon has then to be implemented by the functionaries of the organization. Management cannot be conceived of just in terms of the manipulation of techniques or tools of analysis; it is also about the application of experience built up over years, often within the same organization 219 Strategy Implementation or industry. This is rooted not only in individual experience, but also in group and organizational experience accumulated over time. There are fundamental constraints to the implementation of different strategy and policy options. These influences need to be understood when deciding on strategy. Ethics, social factors and cultural factors will influence the way in which the organization works and the priorities which actually emerge in practice.

Historically, emphasis has been placed on administrative controls as ways of delivering the co-ordination needed to implement successful strategies. In reality, the performance of an organization is also determined by the 'softer' controls within organizations - the social controls and self-controls. It is important that social controls are working well in organizations with highly devolved structures, since they can be the primary mechanism for co-ordination in the

organization. Organizations often commit significant resources to maintaining professional social networks, both inside and between organizations, as a method of keeping in touch with best practice[10].

There are many frames of reference which exist at the organizational level and can be especially important as an influence on the development of organizational strategy. The social and cultural influences that impact the organization can be based on many different influences. These can be segregated into two groups, external and internal. The combination of these two has its impact on the individual. The external influences are the national or regional, professional/ institutional, and industry influences; and the internal influences are those of the organization and the functional/ divisional influences.

External Cultural and Social Influences: Strategy has to do with people and the culture in which the people interact. An understanding of organizational culture is necessary to identify the capacity of an organization to implement change. Organizational culture is the reflection of the basic assumptions and beliefs that are shared by members of an organization. They operate unconsciously and define a view organizations of itself and its environment. Faced with similar environments, different organizations respond differently. Strategic logic needs to recognize the complex role which people and institutions play in the evolution of strategy.

There are significant differences in the corporate governance frameworks between countries, and the ethical stance and corporate social responsibility agenda. But the cultural context also influences the expectations of stakeholders directly. For example, attitudes to some aspects of employment, supplier relationships and, certainly, consumer preferences would differ significantly at the national and regional levels.

It is important to understand these influences for two reasons. First, values of society change and adjust over time, and therefore strategies which were acceptable \sand successful earlier ago may not be so today. Second, companies which operate internationally have to cope with the very different standards and expectations of the various countries in which they operate:

Professional/institutional:

Many individuals are members of a professional or institutional group whose values and beliefs are a powerful influence on that individual's expectations of the organization and its purposes, e.g., membership of a trade union or professional association. They may also be more informal and unrelated, but still very influential. For example, many organizations are promoting their trade union activists to supervisory roles where they are not protected by trade union legislation.

An important trend in the 'post-industrial' economies has been the growing importance of professional groups. As the number of 'knowledge workers' increases, the organization will require to adjust to the key differences in expectations, purpose, resource allocation, ethical stance and priorities in the design of the organizational structure.

There tends to develop a common view about organizational purposes and how to develop and manage organization’s within an industry. It often proves difficult for individual firms to step out of line from this industry recipe. For example, a number of public sector managers who found

themselves working in private companies during the recent privatization drive of the Government of India, experienced difficulties in adjusting their management style to the different tradition and expectations of their new organization management. Sometimes there is an advantage to such cultural influences, in terms of maintaining standards and consistency in the industry. However, the danger is that managers may not look beyond their industry in thinking through strategies for the future. They become victims of industry 'groupthink' and fail to see the lessons which can be learnt from outside their own industry.

Internal Cultural & Social Influences: Strategies do not deliver full benefit unless explicit attention is given to understanding the motivations and developing relationships with the people involved. Strategy is also about the purposes of the organization and what the people in it want the organization to be like. This brings out the strong relationship between culture and an organization's strategies. In understanding the influence of culture on organizational purposes, it is important to be able to characterize culture. The statements of values and beliefs are often statements of aspiration or strategic intent of a particular stakeholder rather than accurate descriptions of the culture as it exists in the minds and hearts of people within and around the organization.

Putting a Plan into Practice In seeking to describe, analyses and understand the relationship between culturesand an organization's strategies, it is not usually possible to characterize the whole organization as one particular type of culture. There are usually important subcultures within organizations. The organizational culture and the subcultures are discussed \sin the paragraphs that follow:

Organization:

The culture of an organization has been considered to consist of three layers: values about the organization's mission, objectives or strategies; beliefs which people in the organization talk about; taken-for-granted assumptions or the organizational paradigm. The paradigm includes the sort of assumptions which are rarely talked about, which are not considered problematic, and about which managers are unlikely to be explicit. It is likely to evolve gradually rather than change rapidly. For an organization to operate effectively there has to be such a generally accepted set of assumptions; in effect, it represents collective experience without which people would have to 'reinvent their world' for different circumstances that they face. The public statements of the organization's values, beliefs and purposes are not descriptions of the organizational paradigm. They are likely to partially reflect the real organizational culture.

It is not usually possible to characterize the whole organization as one particular type of culture. There are usually important subcultures within organizations. These subcultures may relate directly to the structure of the organization. For example, the differences between functional groups such as finance, marketing and operations. In a divisional structure, different divisions may be positioned in different ways and pursue different generic strategies. The different positions foster different cultures.

There is a relationship between the paradigm and organizational strategy. It is the people within the organization who create strategy. The forces at work in the environment, and the

organization's capabilities in coping with these, can be understood by charting the individual experience of managers and the collective assumptions within the paradigm.

For example, many consumer goods companies in the USA which were very powerful \sin the 1970s lost significant market share as they failed to recognize the impact of the increasing buying power of the retail outlets. They believed they had direct influence over consumer buying behavior and the retailer was seen just as a distributor. Many consumer goods companies continued to be driven by their long established paradigms, failing to accept that the retailers had the same major strategic importance as customers in their own right. These companies lost market share and profits, and some were eventually taken over. There is not a 'best' and 'worst' culture. The issue is how well the culture matches and supports the strategy of the organization. This becomes important as there is evidence that organizational cultures are not easy to change, and therefore they can impair or assist in the development of organizational strategies.

An organization with a long-term momentum of strategy and reasonably stable management is likely to have a more uniform paradigm than one with frequent management changes. A cohesive corporate culture can sometimes find itself bound by established routines; by the powerful 'tribal' symbols and stories which encourage a commitment to the strategies which the organization has pursued historically. It is important that the organization must develop a degree of coherence in its culture to be able to function effectively. The situation is healthy when there is constructive friction where a strong corporate culture is maintained, but where the core beliefs and assumptions are continuously subjected to critique from within the organization. Challenge and debate, although not comfortable, are regarded as legitimate and signs of strength.

There are several issues that need to be borne in mind, especially how well the culture matches and supports the product/market positioning of the organization. This needs to be linked to a match between positioning and organizational competencies. For example, a 'low-price' positioning of a commodity product or service is best supported by a defender culture with competencies which emphasize cost improvement and perhaps a largely bureaucratic management regime. In contrast, a positioning of differentiation matches \swell with a prospector culture, as product features or service quality requires more creative competencies and a more flexible management regime.

This matching of positioning, competencies and dominant culture, becomes a part of successful organizations. Over a period of time, the key elements of the strategy represent core competencies of the organization. The relationship between strategy and dominant culture is often self-perpetuating. So not only does a defender culture match well with an Implementation commodity's positioning, but it is likely to seek out those parts of the market which secure such a positioning. Moreover, the organizational routines - for example, selectionrecruitment - are likely to perpetuate the dominant culture by not selecting individuals who will 'rock the boat'. This is exemplified by the fact that people who are attracted to the large multinational companies in the country have different values than those attracted to, say, the Tata or the Birla organizations.

Given the overall strategic direction of the organization, it is necessary to identify forces within the organization that could help or hinder change. Many aspects of the culture of the organization

work to shape and guide strategy. The cultural web is a useful way of considering forces for and against change. The cultural web provides an understanding on how an organization's culture will affect its ability to change and adapt to new policies or environments. The organization's cultural web is a set of assumptions about the organization that have been internalized. It represents the collective experience built up over years and all organizations develop a degree of coherence in their culture to be able to function effectively. Because organizational cultures are not easy to change, they have an important impact on strategy.

Stories:

Stories are told about the organization by its members to each other and to new recruits. They distil the organization's past and legitimize behavior, in the tradition of tribal lore, complete with myths, legends, heroes and taboos. Routines and rituals: 'Routine' is the way members behave towards each other and towards those outside the organization. 'Rituals' are the special events through which the organization emphasizes what is important and how things are done in the organization.

Miles and Snow used the cultural web as a means of assessing the dominant culture of the organization. By reviewing the clues from the cultural web analysis, it is possible to distinguish between a defender and a prospector organization, and hence judge the extent to which new strategies might fit the current paradigm. Mapping out the cultural web of the organization provides a visual image of many of the aspects of the organization which are often not discussed - the underlying power structures, the day-to-day routines, the symbols and stories, and the taken-for-granted assumptions which guide everyday life.

The cultural web can, therefore, facilitate debate about those aspects of the organization that are rarely brought out into the open. Without such an openness of debate about the really significant blockages to change, it is unlikely that the organization will undergo change that is often essential to the implementation of strategy. Strategy often involves change, this is especially true when changes are taking place in the environment around the organization. Faced with pressures for change, there is a tendency for managers to postpone change so as to avoid ambiguity and uncertainty created by the new situation. They try to revert to the paradigm to find a solution. The solution they find is constrained by the core assumptions and routines of the cultural web. If conditions keep worsening, they try to reconstruct strategy in the image of the existing paradigm.

Changing the strategy within the paradigm makes sense if it permits the strategy of the organization to be in line with the change in the environment. Under such conditions, management is using the experience of the organization and working within limits that are familiar. However, within the limitations of the cultural web, the changed strategy may not be adaptive to the forces in the environment. Over time, this will give rise to strategic drift', where the organization's strategy gradually moves away from facing the forces at work in its environment and will affect the organization's performance.

Strategic drift is difficult to detect and reverse because not only are changes being made in the strategy, but also because the changes are familiar they often provide short term relief. This relief often provides legitimacy to the changes. Organizations continue to fight the 'effect', while the

'cause' is neglected. Even the most successful organizations \shave drifted in this way. They have become victims to their past successes. Strategic drift has been shown in Figure 9.8. The first stage that has been described reflects phase 1 in the diagram. The distance between the strategic change and the environmental change in the figure is shown to be gradually increasing. If the drift is detected during this phase, the organizational performance can be corrected by incremental change. During phase 2 the influence of the paradigm impacts the development of strategy.Strategy development is likely to be in a flux, with no apparent direction. The drift becomes apparent and performance is visibly affected. The performance of the organization keeps deteriorating. The failing performance creates a stage where incremental change is no longer a solution and transformational change is required.

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