Module 1

Strategic Management: A Contemporary Perspective

Introduction

Strategic management is a process of decision making and planning as well as an outcome of managerial decisions, particularly top management decisions. The strategic management process is initiated to enable the organisation's top managers to take those decisions that affect the long-term profitability and sustainability of the organisations. It involves large-scale mobilisation of resources across the organisation to develop competencies and capabilities for the future while taking care of the risk such long term decisions entail. This module presents the context of long-term decisions, discusses in brief the changing nature of the external context and how organisations respond to the ever-changing external context by adopting strategic management. It familiarises the student with the terms that are associated with strategic management and are used extensively in the text later.

Upon completion of this module you will be able to:

Outcomes

- *explain* the dynamic relationship between the environment and the organisation.
- *enumerate* the different outcomes of the strategic management process.
- *demonstrate* an understanding of corporate strategy as key outcome of strategic management process.
- *differentiate* the three phases of strategic management process.
- *explain* the relatedness of corporate strategy with business and functional level strategies.
- *examine* the differentiation between strategic and operational resource requirements.
- *analyse* the roles of operation and strategic managers.

Terminology

Discontinuous change:	A fresh change in the environment.
Strategies:	Provide the direction that enables an organisation to achieve its long-term objectives
Strategic management:	Processes and activities used to formulate HR objectives, practices, and policies
Strategic planning:	Art and science of formulating, developing, implementing, and evaluating cross-functional decisions that enable an organisation to achieve its objectives
SWOT analysis:	Vehicle for collecting information on an organisation's current strengths, weaknesses, opportunities and threats

Organisation: The strategic decision context

Organisations operate in a dynamic environment. Social, political, economic and technology-driven events that are external to the organisation have a bearing on the products, market and technology related choices the organisation makes. The organisation's responses to the changes that take place in the external environment are at multiple levels. The response spans the domains of marketing, finance, operations, human relations, technology and innovation, leadership, motivation, organisation, culture, design and systems. The organisation's response is based on the analysis of the trends of the external environment and the organisations own capabilities. The changes in the external environment may be revolutionary or evolutionary for example technology that enables the convergence of music and Internet on one device has been far more revolutionary than the technological changes that have taken place in steel manufacturing technology during the same period.

Changes can impact the entire industry. Let us consider the case of cars. The Model T manufactured by Ford Motor Company is different from today's motor car but it was also made with a different perspective altogether – a perspective that placed the manufacturer at the centre and not the customer! When Ford was a dominant manufacturer the demand for the cars could be estimated and extrapolated, the market was homogenous, regulation was limited, and manufacturing was localised. Ford developed the assembly line for production. The long-term decisions entailed capacity expansion, monitoring of production and organisation of selling to a larger customer base. The environment in which Henry Ford set up the automobile empire demanded less from the manufacturer in terms of differentiation and regulatory compliance. This is certainly not true for today's car manufacturers who have to incorporate the customers' expectation of design, performance and features along with more ecologically acceptable fuel options in their cars. Markets and manufacturing are global, customers demanding, regulation is tough, there is emphasis on customised production and the assembly line is on the wane. In the last decade in the Asian markets the dominance of Detroit has been replaced by the dominance of Japanese car manufacturers in the 1980s.Today (2012) in Asian markets the market dominance of Japanese cars (such as Honda) is being challenged by Korean (Hyundai) and German (Volkswagen) manufacturers. Countries as vast as India in terms of a market also have their own home-based car manufacturers (for example, Tata Motors, Maruti and Mahindra) that vie for market place with Volkswagen and Hyundai. The relationship between the environment and the organisation is dynamic. Change in one affects the other and vice versa. In the transformation of the car industry external factors have played as important a role as have the changes within the industry itself.

Modern organisations like Dell Computers, Apple, Infosys, and Singapore Airlines, have been more successful than their counterparts because their response to the environmental opportunities and threats steered them towards success. Proactively, they changed many contours of their industry. Considering the external conditions are, by and large, the same within an industry, what explains the difference between successful and unsuccessful organisations?

There is no simple answer to this question, nor is there a magic formula for success. To identify the differences between successful and unsuccessful organisations it is pertinent to ask a few questions about:

- The extent of challenges posed by the external environment and the extent to which the system appraises the environment.
- The process by which the organisation responds to the environment. Is the response ad-hoc or systemic?
- The adequacy of the top management vision and strategic thinking in meeting the environment challenges to the benefit of the organisation.
- The risk-bearing capacity of the organisation's managers.
- The capacity within the organisation to implement and follow through decisions.

From the above we can infer that the external environment is changing continuously, organisations have to adapt to those changes and in doing so the role of top management is critical.

The external environment

Managers have to continuously read signals from the external environment to spot emerging **opportunities and threats**. The external environment presents **opportunities for growth leadership, and market dominance**, it also poses the **threat of obsolescence for products, technology and markets.** While one section of an organisation faces opportunities, another faces threats from the similar environment, perhaps because there is differentiation in their respective resources, capabilities and entrenched positions within the industry.

For example, the burgeoning mobile telephone market in India provides enormous opportunity for different types of organisations from handset manufacturers, content developers, application developers, mobile signal tower manufacturers, to service providers. At the same time it poses a threat to the fixed line telephone business which for a long time, has been the monopoly of public sector enterprises. The increasing demand for telecommunication services in India post-deregulation was an enormous opportunity for early entrants to enter the telecom services business and compete for revenue with state-owned organisations. At the same time the growing demand for mobile services led to expansion of industry capacity, price wars, lowering of call tariffs, acquisitions and declining industry profits. India has one of the lowest call rates in the world. As the industry matured and consolidation took place, the old players had to alter their business models and strategies.

Strategic and Industry Environment.

The manager's immediate concern vis-à-vis the external environments are twofold first to understand the nature and drift among the strategic/ macro factors to identify the key environmental determinants for the industry and second to identify the contours of the industry within which the organisation operates. What is the extent of the competition within the industry and what is the stage of industry-growth, maturity or decline? If the industry boundaries are inaccurately defined then there is a possibility of addressing customer needs with incorrectly perceived product or services amid stiff competition. For example**,** companies like Pepsi and Coca Cola were able to dominate the market for carbonated drinks till about a decade ago. Since then health consciousness, food habits and information and knowledge about the harmful effects of obesity among consumers have spread significantly. As a result, customers have shown an increased preference for bottled water and healthier fruit-based soft drinks. Pepsi and Coca Cola have had to respond by adding those products that meet the customers' requirement for non-carbonated soft drinks. To be caught off guard in the face of emerging changes (emanating from changing customer preferences) in the markets where local competition can offer desired products faster would be a strategic error such organisations must avoid.

For the sake of convenience the external environment is studied at two levels the wider macro or strategic environment that includes the entire social, political, geopolitical, technological, economic changes and the micro level that includes the industry environment which is shaped by the competitive forces of the given industry. Figure1.1 shows the different constituents of the external environment which are discussed in detail in Module 2 of this course. The external environment is not a single homogenous entity, rather it consists of the strategic or the macro environment where the social, politico-legal, economic, and technological changes take place, and the competitive or the industry environment where the industry-related competitive forces are active. The external environment undergoes discontinuous changes and organisations need to have the capability and the mechanism to understand and analyse those. Against this backdrop the first proposition that can be made is that organisations need an integrated approach to understand the external environment. (What are the ramifications of the key changes taking place across the organisation?). Figure1.1 shows the environment at the two levels discussed above. You will use the list of factors given to do activity 1.

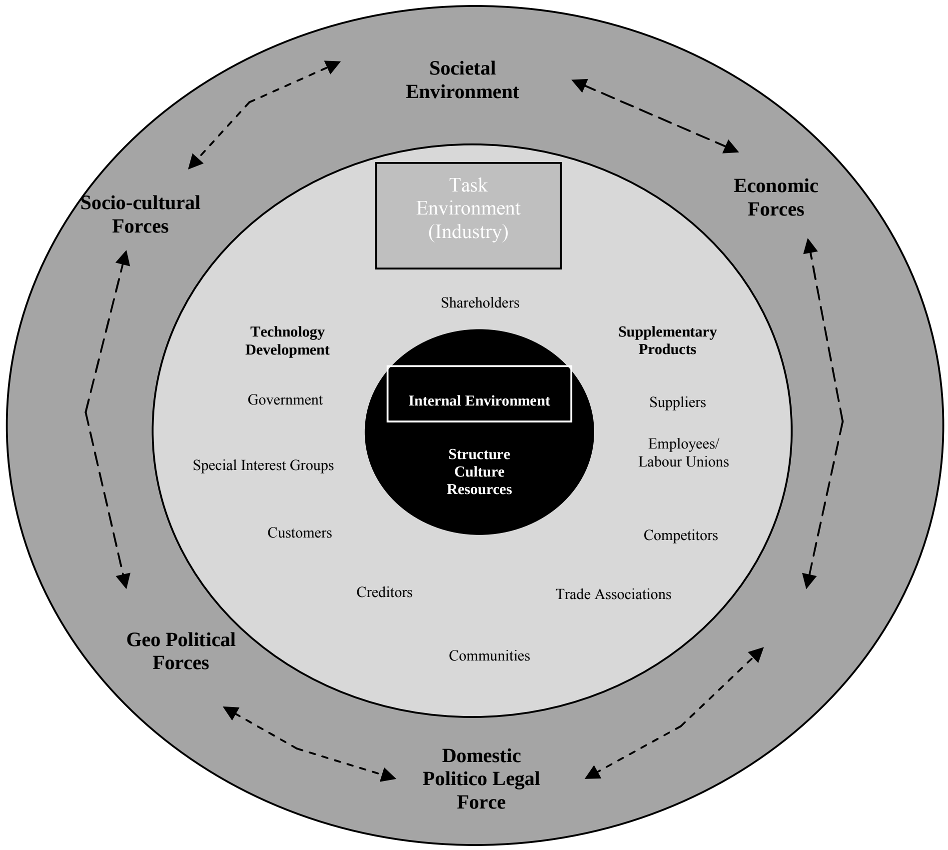

Figure 1.1: External Environment

Activity 1.1

Activity

Identify an organisation from the service and the manufacturing sector that you are familiar with.

Identify the major external environment factors that have impacted these organisations over the last five years.

Make a list of all the environment factors (macro and industry environment) for each organisation.

Draw a comparison between the factors that have impacted the service organisation versus the manufacturing organisation.

Tip

There is a large amount of information asymmetry in the context of external environment. Decision making under such asymmetry is fraught with risks.

Management's attitude towards risk and strategic thinking play an important role in decision making.

The internal environment

The internal environment includes everything within the boundaries of the organisation. Some of these are tangible, such as the physical facilities, the plant capacity technology, proprietary technology or know how; some are intangible, such as information processing and communication capabilities, reward and task structure, performance expectations, power structure management capability and dynamics of the organisation's culture. On the basis of those resources the organisation can create and deliver value to the customer. This value is fundamental to defining the organisation's purpose, and the premise on which it seeks to be profitable. Are we adding value by research and development or by customer service, or by prompt delivery or by cutting any intermediary which reduces the customers' costs? Organisations build capabilities over a long time. They consistently invest in some areas so that they can build strong competitive businesses based on the uniqueness they have created.

The manager's response to the external environment would depend upon the availability and the configuration of resource deployment within the organisation. The deployment of resources is a key managerial responsibility. Top management is vested with the responsibility of allocating resources between the ongoing operations/activities and also with future operations which are of strategic nature, that is they might yield returns in some future time which require resources now to be nurtured and have some associated risks. The top management has to balance the conflicting demands of both as resources are always finite. For example, General Electric is an aggressive innovator and marketer which has been ruthless in its approach to changing proactively as well as reactively to sustain its competitive positions in the respective industries. This implies that over the years General Electric has invested in developing those capabilities, systems and processes that enable it to respond.

SWOT Analysis (Strength, Weakness, Opportunity, Threat Analysis)

Like a skilled musician who has to continuously practice to be masterful at his art, organisations too have to continuously develop their resources and skill base. The manager's job as a strategist is to create competitive advantage. It is not a once-in-a-lifetime creation that endures, but rather something that has to be consistently re-configured in tandem with the changing context of business. Internal analysis enables managers to spot the vulnerable as well as the strong areas within the organisation which can hinder or enable a proactive response to the given opportunity. The areas within the organisation that are vulnerable are the weaknesses and the areas that are strong are its strengths. Figure1.2 presents the basic rule of thumb approach to the strength-weakness-opportunity-threat analysis (SWOT analysis). The opportunities presented by the external environment have to be made good by using the strengths, whereas the threats that can destabilise the organisation must be kept at bay or converted into strengths. The SWOT analysis is a tool used for analysis prior to any decision of a strategic nature be it intent or corporate strategy or testing of strategic options and choices. At a given time the organisation has ongoing operations to serve a designated market through products/ services and technology. SWOT analysis enables it to see if the current operations are doing well or if there any internal processes that are weak and likely to threaten the projected return on investment and future prospects.

In view of this discussion the second preposition made here is that organisations have to constantly develop new products, technology, or services to augment product channels etc for future business or to strengthen the on-going one. The organisation has to strike a balance between allocation of resources to existing and prospective activities and operations needs to have a mechanism to allocate key resources between current and future businesses in line with the strategic perspective.

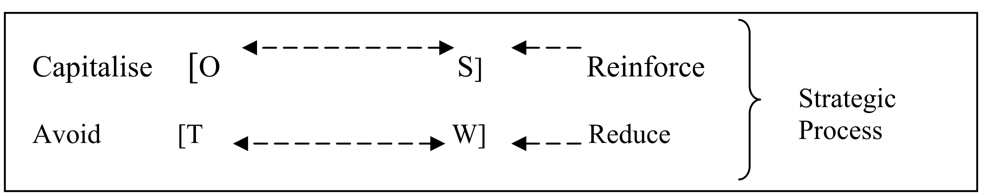

Figure1.2: SWOT Analysis

Activity 1.2

Activity

Collect information about the SWOT factors for the organisation that you are working with. The information you collect must span a three year period. (For example 2006 to 2009).

Collect the information from the market sources, your superiors and published secondary sources. Present your findings in the format given below:

Format for Activity

Year	Strength	Weakness	Opportunity	Threat	Changes	Remarks

You should be able to understand first the variation in perception about SWOT factors amongst different levels in an organisation and outside the organisation. Second, you must be able to understand the variability among SWOT factors across time. (In remarks note such variability).

The strategic management process: Need and rationale

The forgoing discussion makes it clear that in contemporary organisations managers face the challenge of ensuring sustainability and profitability amid many unpredictable and novel circumstances emanating from the external environment. In the 1950s, 60s and 70s the conditions for business were more benign. The demand for products and services was escalating. At that time businesses were required to focus on raising productivity, setting up multiple plants and strengthening channels of distribution to serve largely homogenous markets governed by similar regulations. The functioning of business was impacted more by concern for meeting escalating demand in the developed world. Business organisations could meet those challenges posed by the demands of the external environment by initiating forecast-based planning and command and control-based internal processes.

The complexity in the external domain of business has increased and forecast-based planning may no longer be feasible or reliable. Disruptive technologies, changing geopolitical situations, the emergence of Japan as a manufacturing powerhouse followed by China as a factory to the world, depletion of natural resources/fossil fuels/contamination of aquifers/land as result of businesses' activity and consumption, disenchantment with bad governance, and emergence of the global village assisted by the ICT technologies and with shifts in economic power structure (BRIC countries Brazil, Russia, India and China emerging as a dominant economic force) compel managers to develop such systems for decision making that enable them to capture the uncertainties to the extent possible in their decision process.

Not only do they need to factor in major unpredictable changes in decision making they also have to change the way people's commitment to their organisation is sought. Instead of controlling, empowerment has to be practised and collaborations and partnerships between departments developed. Many organisations flounder because they make errors in anticipating the impact of the environment or because they do not have the requisite resources to make good of opportunities and by the time they create resources competition overtakes them or because the mindsets do not allow them to step out of the existing comfort zone. These are but a few reasons for organisations either failing or for showing sub-par performance.

What contemporary organisations and managers need is a process that:

- Facilitates strategic thinking enabling the exploration of environment opportunities and analysis of threats in a holistic manner.
- Enables the initiation of strategic change (such as changes that affect an organisation's culture, structure, mind sets, or processes).
- Provides for the integration across different managerial process, business units and functions.
- Delineates, yet links the operational with the strategic among process systems and managers of organisations.
- Allows cross over from the strategic to the operational orientation in specific situations.
- Facilitates pragmatic resource allocation among competing segments of the organisation such as SBU's, divisions, functions and new businesses and reduces conflict that is inherent in resource allocation among competing entities.
- Integrates administrative processes, decision making, leadership and motivation along with rigorous analysis.

The strategic management process defined

The strategic management process developed over the years from the erstwhile planning approaches such as corporate and strategic planning incorporating the above mentioned characteristics. It was process that developed upon the merits of formal planning systems. In this course Strategic Management is defined as:

> *"… a decision making process which leads to the development of the strategic position i.e. which helps to determine the future sustainability and the profitability of the organisation, simultaneous with the integration of managerial capabilities,*

responsibilities, motivation and reward system. It synergises the strategic and the operational orientation and provides an overall framework for resource allocation among different units and time horizons. It can be regarded as architecture of integrative decision making. It results in the articulation of the corporate strategy followed by competitive and functional strategy (what it is and outcomes).”

The strategic management process differs from the erstwhile approaches to planning such as corporate planning and strategic planning because:

- It deems formulation and implementation to be equally critical.
- Strategies which are the major outcome of the process are intended, but if they are altered due to uncontrollable factors than the emergent strategy is accepted with due changes in support resources.
- Resource allocation to and balance between the ongoing operations and strategic prospects is considered a primary task. Resource allocations are not tight budget limitations but also prone to change.
- The process is driven by key managers. Consultant support can be sought on different aspects such as a quality programme, if needed.
- Changes in administrative processes, structure, people processes are not incremental and sequential but driven by strategy imperatives.

Strategic management results in the articulation of strategic intent, corporate strategy, business level strategy and functional strategy. These are then used to draw up functional plans, programmes and budgets. Organisations exercise operational control as well as strategic control. In the strategic management process managerial attention is concentrated on integration of formulation and implementation. Organisations gradually take up the entire spectrum of strategic management process. Once established within an organisation it becomes the philosophy of the organisation.

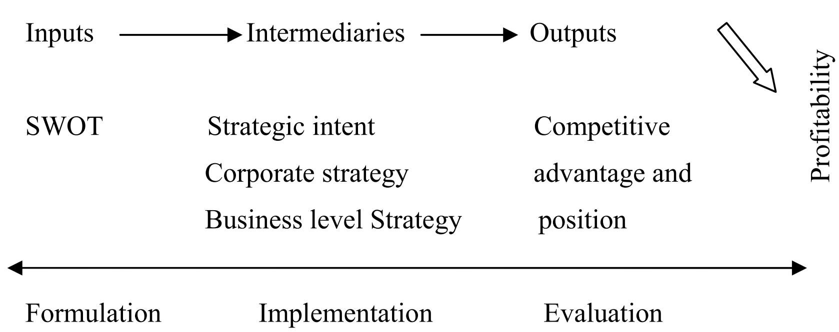

Figure1.3: Strategic management process

Phases of strategic management process

The strategic management process has three distinct phases: planning, implementation and evaluation. The three phases are distinct in theory and in practise they overlap and iterate. The assumptions and forecasts on which decisions are based can be checked and if needed corrected.

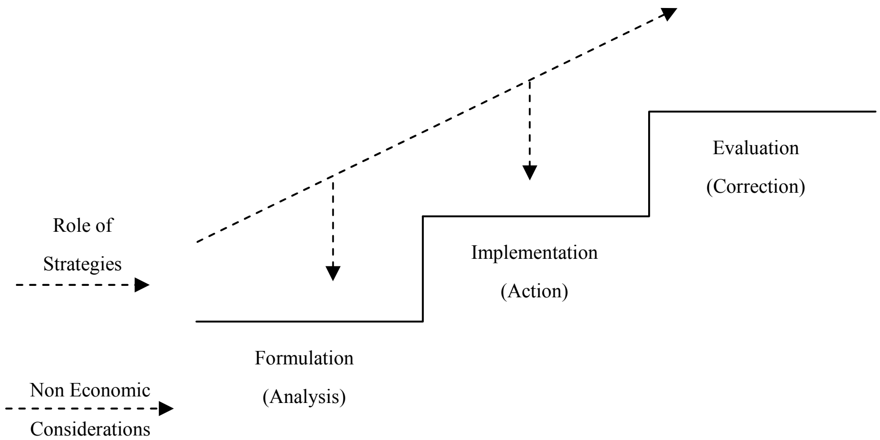

Figure1.4: The phases of strategic management process

The formulation phase

The formulation phase is the cognitive phase of the strategic management process. It is during this phase that deliberations and decisions about the broad scope of business (intent), the key areas of business (corporate strategy), and key drivers of business (core values and commitments) are taken. The decisions are based on reasoned analysis of SWOT factors, assessment of managerial aspirations and acknowledgement of society's expectations. The formulation begins with asking very fundamental questions:

1. Who are we? (answered by the intent/mission), and
2. What can we be and how can we be? (Answered by corporate strategy).

The information asymmetry, while formulating corporate strategy, makes the moderating role of strategic thinking important. Strategic thinking implies thinking beyond the boundaries of one's assigned domain such as a function or a division. It is the capacity to see interrelationships in the web of disjointed information.

Organisation intent

The organisation has to be clear about what it stands for. The answer is to be found in the strategic intent of the organisation. Some scholars prefer the term vision to give a very broad statement of the long-term intentions of the organisation. It can be thought of as glue that binds the actions across the organisation. It lends direction and energy to the organisation but does not provide day-to-day directions. To understand these through an analogy, consider the case of a young person whose vision is to serve humanity. The career choices, the assignments he/she undertakes, the skill set one acquires, are driven by this vision. The person may join as a public servant but driven by the mission would seek those assignments that enable him/her to make a positive difference to the lives of people.

Activity 1.3

Activity

You must prepare a list of intent statements of at least one for-profit organisation, one social service organisation (such as, Red Cross/postal service or blood bank)) and one public organisation.

Read the statements carefully and in three columns identify the main beneficiary the organisation intends to serve, how does it intend to serve and, if any, the value statement/ description that is a part of the Intent statement.

Mission statements flow from Vision/ Intent statement or can be standalone statements. Their scope is somewhat narrower than the vision/ intent statements but the general purpose is the same. Mission statements specify the purpose of the organisation, its identity, that is, how would it differentiate from others and the basic values and beliefs of the organisation.

Intent, vision and mission provide a very broad framework in which the strategies can be formulated. However, these statements have to be realistic. Bravado and one-upmanship type of statements would do no good to any organisation.

For the purpose of putting the intent to work the corporate objectives and goals are defined which means intent is translated in the day-to-day working language of the organisation. Figure 1.5 presents the hierarchy in an easy understandable manner. Organisational objectives also derive from the SWOT analysis. Organisational objectives and goals are measurable.

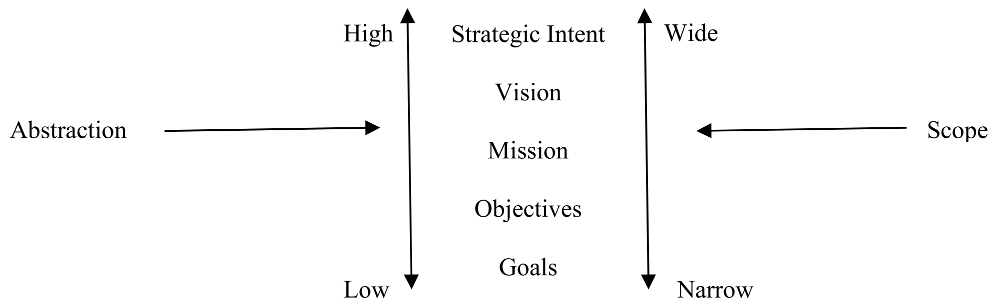

Figure 1.5: Organisational Intent

Organisation's direction: Corporate strategy

From the above discussion it is clear that the general direction the organisation wishes to move in ('what can we be?') has to be carefully and comprehensively defined. To connote the general direction the term 'Corporate Strategy' was coined in the 1960s by professors at the Harvard Business School. According to Kenneth Andrews (1971) Corporate Strategy can be defined as – "the pattern of major objectives, purpose, or goals and essential policies and plans for achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be.' Corporate strategy identifies the direction in terms of the businesses in which the organisation should exist." The information asymmetry and environment uncertainty inherent in defining the general direction make it a risky proposition. Commitment of resources today may or may not result in the desired returns tomorrow. Is there than an alternative to strategy? Decisions that concern the future of the organisation are best based on a degree of rational analysis. Corporate strategy is better suited to facilitate the organisation's adaptation and thrust and designed to accommodate the many interlocking sub processes. The business the organisation enters can be related or unrelated to its existing one. The options available to an organisation regarding the types of business to be in are detailed in Module 4 of this course.

Corporate strategy is better understood in terms of what it does, than in terms of a long intertwined definition. Some of the salient characteristics are:

- Corporate strategy decisions pertain to an organisation's future. Strategy does not result in immediate action or results. It sets the general direction for the organisation.
- The external dynamics of the organisation drastically changes markets, customers or technology necessitating corresponding integrative time bound changes in technology, leadership, design and processes within. This sets the tone for strategic change in the organisation.

- Entails commitment of present resources for future performance by key managers called strategists and therefore involves a certain degree of risk. The future may not unfold as expected. There has to be a degree of flexibility for altering position as the organisation goes along the designated direction.
- Decisions within the realm of corporate strategy may be about growth, consolidation or divestment of businesses.
- Strategy formulation and implementation require different sets of skills, attitudes and knowledge among the key manager. The organisation must invest in the development of competencies among managers.
- The implications of strategy span the entire organisation. Strategy is integrative and its effectiveness is correlated to the extent of unifying perspective of the top management and its commitment to making strategy work.
- Evaluation of strategy must be in terms of the underlying assumptions made and significant changes within them are inherent risks.

Hierarchy of Strategy – Corporate, Business and Functional

Corporate strategy is too broad to be translated into actionable plans for line managers. Transmission is facilitated by two sets of strategy – business and functional. This means the corporate strategy has subsets in business strategy which defines the way an organisation will compete and functional strategy, which defines the way the organisation's systems, processes and functions would be redesigned to attain a better competitive position

The business strategy entails the decision about what customers' needs are to be satisfied, which customer groups are to be satisfied and how these are to be satisfied. An organisation may opt to either offer a competitive price or the better quality, or even both (for example, Dell computer), or it can choose to serve a very narrow customer base by offering a unique position (for example, customised designer cars is a business for some). Defining the scope of competition is the essence of business strategy.

To be competitive whether in terms of price, better quality or more features, the organisation has to put in place efficient and effective systems. It has to gear up operationally to meet the business level strategy. The organisation does so through functional level strategies. The functional level strategies are the first building block of the strategy pyramid shown in Figure1.6. Its base being broadest also implies that the maximum number of employees within an organisation is part and parcel of functional level strategy.

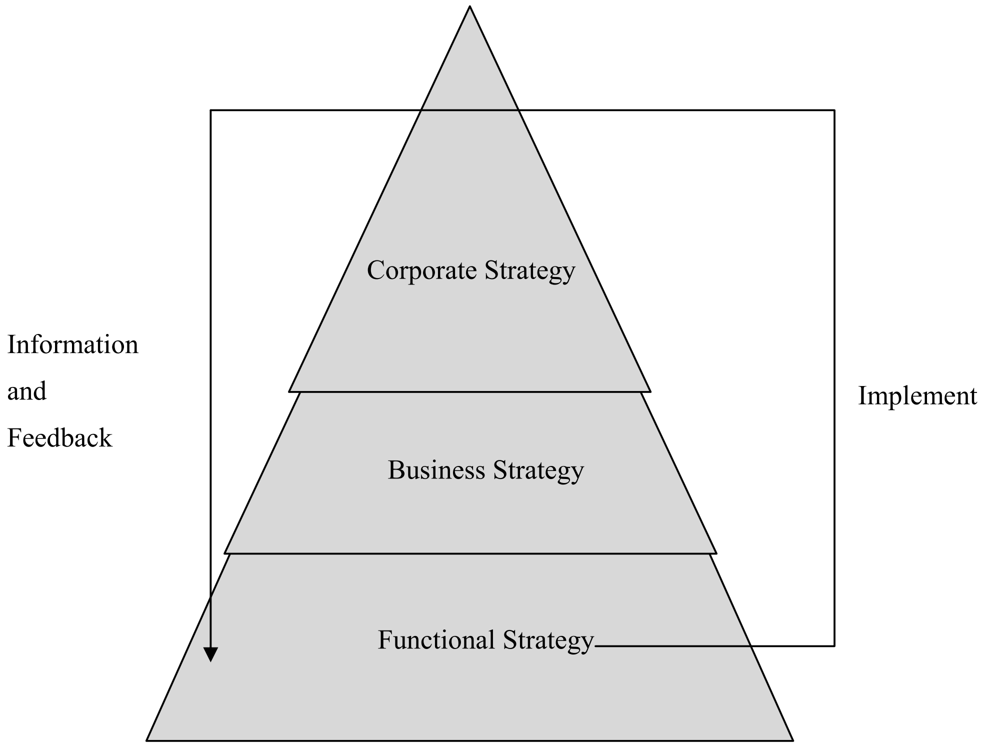

Figure 1.6: Strategy Pyramid

Note it!

Corporate strategy: Multidimensional view

The forgoing discussion has outlined the many characteristics of strategy. In fact, over the years the researchers have studied strategy from different perspectives and broadened the knowledge base. These have been termed as "schools of thought" about strategy. There have been suggestions about how strategy should be formulated; the role of strategy in positioning the organisation, or the integrative role of strategy – one that blends the process, the content and the behaviour explains the complexity better than other schools, how entrepreneurs create strategy so on and so forth.

The issue central to the myriad of schools of thought is not which is better, but how the knowledge can be used to better understand strategy. The multiplicity of schools and their relevance has been captured by Mintzberg, Ahlstrand and Lampel (1998) when they state — "there may be different schools of thought about what corporate strategy is but the multiplicity of different schools does not diminish the importance or relevance of any of the schools."

The following table presents the ten different schools of strategy identified by Mintzberg.

1. The Design School	Strategy formation as a process of *conception*
2. The Planning School	Strategy formation as *formal* process
3. The Positioning School	Strategy formation as an *analytical* process
4. The Entrepreneurial School	Strategy formation as an analytical process
5. The Cognitive School	Strategy formation as a *mental* process
6. The Learning School	Strategy formation as an *emergent* process
7. The Power School	Strategy formation as a process of *negotiation*
8. The Cultural School	Strategy formation as *collective* process
9. The Environmental School	Strategy formation as *reactive* process
10. The Configuration School	Strategy formation as a process of *transformation*.

Table 1.1: Mintzberg's Ten Schools of Strategy

The implementation phase

This is the action phase of the strategic management process. The formulation phase has laid down the general direction through intent and strategy. If formulation was talking about things within the realm of the possible, implementation is pushing plans to the realm of attainable. Implementation is organisation-wide. In the implementation phase the resource allocation decisions are strategic – managers allocate resources among current and future activities. Balance between the two is important. Some of the tools used in resource allocation are BCG matrix, GE Matrix, and Experience curve. In the implementation phase the organisation also accomplishes strategic change since structural configuration of the organisation, leadership, and culture may undergo an intended or inadvertent change. The soft skills are equally important to steer the implementation. The managerial responsibility for implementation spans the different line functions and verticals. Effective implementation is as much a reflection on managerial capabilities as is formulation. Strategy implementation requires:

- Developing an “execution” mind-set. Managers tend to be enamoured of the formulation phase whereas results come from execution - implementation. Such a mind-set requires that management time is apportioned to identifying key tasks, setting standards of performance and designing reward/ motivation systems.
- Integration among different units’ processes and functions. The purpose of strategic management is to develop an integrative perspective across the organisation. Leveraging cross-functional and divisional competencies is done during implementation.
- Creation of a sense of ownership among managers for the decisions which systemically would be changing the organisation. Those who implement must feel a sense of ownership for those decisions that they implement otherwise the efforts would be half-hearted. Strong measures for employee engagement are recommended, more so if radical changes in “doing” things are needed for increasing efficiency.
- Implementation requires different skills, attitudes, knowledge and abilities. There is a possibility of dissent as new changes are brought in, resource allocations are revised, and organisation design is reconfigured. Implementation requires “man-management” skills.
- Facilitating new learning. Implementation brings about changes in almost every aspect of business. Use of better technology means learning new things, being more responsive to customers also means learning more things, so does installation of Enterprise Resource Planning. Organisation-wide learning is initiated if the organisation is adapting to global-level changes. If the organisation does not anticipate the learning requirements and leaves people to be on their own, implementation runs into serious problems.
- Preparation for implementation precedes implementation, with groundwork done well before. Even though the managers responsible for implementation may be different from those responsible for formulation in large diversified organisations, on-going consultation between the two to probe, discuss and decide the plan of action is important to lend the phase a push.
- Communicating clearly and effectively is important. Resource allocation, organisation, design change and technology adoption almost churn an organisation. To enable a smooth passage through this, communication plays a vital role.
- Designing an appropriate arrangement that fits the organisation’s new or emerging plans and activities would also require developing new key managers. If an organisation is diversifying

and adding a new SBU, it has to identify, equip and train key managers for that SBU.

Activity 1.4

Activity

Experiential implementation

This activity is based on retrospective thinking. Its aim is to sensitise you to implementation of day-to-day decisions and to appreciate the broad principles of implementation.

You would have implemented some decisions. Enumerate the activities performed at the time of implementation for the decision you took. For example, if you were given the responsibility to organise a party for 10 students to mark good performance at exams. First list the activities and place them under pre-defined categories such as people-centric, technology-centric, technique-centric (for example, accounting) and leadership-centric. You will notice that each implementation requires a measure of all these skills.

- ____
- ____
- ____
- ____
- ____

Write the sequence of decisions you had to take. Did you have to consult others? On what issues? If there were differences in opinion what approaches were used for reconciliation? Who reconciled the differences? How successful was the event (were people satisfied)?

In retrospect what are the actions you think you could take to do a better job.

Strategic evaluation and control

The objective of the evaluation phase is to check if there is any fundamental flaw in the strategy that can be corrected. For example, many Indian business houses had a strategy to enter the organised retail segment in 2005-2006 but the high price of retail space made the foray unprofitable. It was pertinent to ask two basic questions:

1. Was our strategy based on a sound analysis of opportunities and threats? The strategy was based on pragmatic analysis that showed there were indeed good opportunities in the organised sector.
2. Did the strategy entail an acceptable level of risk? The answer to this question was that the risk owing to the astronomical

escalation in the price of prime real estate was too high .Future profitability at those rents was not an attractive proposition.

The answer to the two questions reconciled the internal inconsistency among the key assumptions on which the strategy was based. Withdrawal from retail before any significant losses were reported was done. This shows how evaluation helps in avoiding suicidal mistakes and how flexibility can be built in strategic decisions.

The other objective is to judge performance through operating results. The deviation in results compared to desired outcome can imply that either the standards need revision or resource allocation has to be reconfigured or employee skills have to be upgraded. The course correction is made possible sooner. Broad qualitative criteria can be the guidelines to develop quantitative criteria for evaluation. These are more objective and measurable.

Key strategist

The strategists are those executives responsible for taking strategic decisions. The strategic thinking, foresight, attitude towards risk and ambiguity, people skills and analytical skills of the top management are important for successful strategic management. Strategists such as Jack Welch, Bill Gates, Henry Ford, and Steve Jobs have steered their organisations through tough times and created a culture of excellence within. Traditionally the general managers were thought to be the key strategists and corporate strategy formulation was deemed to be their main responsibility. Modern organisations have different designations to connote the domain responsibilities of key managers, including the designation of Chief Strategy Officer in some organisations. Peter Drucker has observed "that there are a number of tasks which are top management tasks… because they are tasks that can be discharged only by people who are capable of seeing the whole business and of making decisions with respect to the whole business." The role of top management has been captured by Learned Christensen (Berg,1984) succinctly as "to lead effectively organisations whose complexities he can never fully understand, where his capacity to control directly the human and physical forces comprising that organisation is severely limited and where he must make or review and assume ultimate responsibility for present decisions which commit concretely major resources from a fluid and unknown future."

Today's business realities warrant quick real time responses and, therefore engagement of employees with strategic issues is critical, valuable time and resources cannot be committed to "waiting for headquarters response" in the age of internet enabled communication. As the organisations have become bigger the strategic responsibility has shifted lower in the organisation. Today, the CEO has the overall responsibility but that responsibility cannot be discharged without taking on board the other key executives and engaging with others consistently and constantly. The key managers must be able to:

- "See" or "picture" the whole organisation. The conventional archetype of the CEO alone doing so is no longer valid.

- Work with parts and the whole organisation to meet the strategic guidelines.
- Demonstrate flexibility if contingency demands and be able to shift resources and efforts if needed across plans.
- Be sensitive to the need for change and patient with the changes as they unfold.
- Be able to manage the multiple demands on their time, energy, attention, and cognition.
- Strike a workable balance between the use of intuition and logic in managing and planning.
- Be a team player and a mentor. Employee empowerment and retention, and nurturing of talent is increasingly in his domain.

The operations managers are more focused on getting the day-to-day work completed with efficiency. They do not promote change. Their focus is on getting the prescribed task done in the best possible manner. Their key task is to coordinate and control. The operations managers are important to accomplish those operations that yield revenue critical for strategic operations A sales manager is likely to be an operations manager.

The strategic managers are change seekers having capacity to solve divergent problems and are comfortable with high levels of ambiguity. A project manager is likely to be a strategic manager. In organisations that are technology driven or have global operations the operations mangers have to acquire the skill sets of strategic managers. Table 1.2 lists the differences between the strategic and operations managers.

Strategic managers	Operations managers
Attitude for acceptance of ambiguity. Interpersonal skills and capability to take cross-functional decisions. Domain knowledge broad with deep understanding of industry. High personal integrity and commitment to ethical standards.	Attitude for results and taking responsibility. Interpersonal skills, ability to be team players, and focus attention on the key area of delivery. Process knowledge with an understanding of resource requirement deployment. Integrity and commitment to uphold the organisation's values.

Table 1.2

Module summary

Summary

In this module you learned about the nature and scope of the strategic management process, the key terms used in strategic management, the dynamic relationship between the organisations and the environment, the distinctiveness and the relatedness of the three phases of the strategic management process. Strategic management enables a better-informed and reasoned, proactive or a reactive response to the environment opportunities or threats. After reading this module the learner is able to appreciate that strategic management is a more sophisticated approach to address the issue of what an organisation must do for future sustainability. Its sophistication draws from its highly integrative perspective. The outcome of the strategic process is the corporate strategy, whose implementation is as crucial as the articulation.

Strategic management is facilitated by the managers, called strategists. Resource allocation among the strategic and ongoing activities is the prime responsibility of the top managers/ strategists. Strategic managers are complemented by the operations managers and their organisational role plays an important part in ushering change. The organisation must develop key strategists for its long-term success.

Assignment

Assignment

What are the skills and knowledge required for the strategic managers in contemporary organisations? Explain with the help of examples from corporate sector/ public sector managers from your country. Give a brief profile of the job title and the attitudes, skills, and knowledge needed to do the job successfully as per your understanding and study.

Assessment

Assessment

In an organisation you are familiar with identify who are the strategic managers and who are the operations managers. Talk to at least two from each category and make a note of the following:

1. Which group speaks more in terms of the organisation's future?
2. Which group is more focused on performance? What are the parameters of performance they look for?
3. Are there any differences in their leadership styles?
4. If yes what are those?
5. How does each group visualise its role in the organisation?

References

Reading

Andrews, K. (1971). *The concept of corporate strategy*. Homewood, Illinois: Dow Jones Irwin, Inc.

Berg, N. (1984). *General management: An analytical approach.* Homewood, Illinois: Richard.D.Irwin.

Mintzberg, H., Ahlstrand, B. & Lampel, J. (1998). *The strategy safari: The complete guide through the wilds of strategic management.* New Delhi: Pearson Education.

Further Reading

Reading

Mintzberg, H. & Quinn, J. B. (1991). *The strategy process: Concepts, contexts, cases* (3rd ed). New Jersey: Prentice Hall.

Ohmae, K. (1982). *The mind of the strategist.* New York: McGraw Hill.

Prahalad, C. K. & Hamel, G. (1989). Strategic Intent, *Harvard Business Review*, May-June, pp. 63-76.