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AN ANALYTICAL STUDY ON STRATEGIC MANAGEMENT AS A TOOL OF ORGANISATIONAL EFFECTIVENESS

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ABSTRACT

Corporate strategy determines the direction an organization will take in order to achieve business success in the long term such as business strategy and organization performance, innovation, productivity, mission and values, corporate culture, organizational capability, interim management and knowledge management.

KEYWORDS :*Innovation, productivity, mission, values, corporate culture, organizational capability, interim management, knowledge management etc.,*

INTRODUCTION

The concept of strategy is central to understanding the process of strategic management. The term 'strategy' is derived from the Greek word strategos, which means generalship – the actual direction of military force, as distinct from the policy governing its deployment. Therefore, the word 'strategy' literally means the art of the general. In business parlance, there is no definite meaning assigned to strategy. It is often used loosely to mean a number of things.

AN OVERVIEW OF STRATEGIC MANAGEMENT

Undoubtedly strategy is one of the most significant concepts to emerge in the subject of management studies in the recent part. Its applicability, relevance, potential and viability have been put to severe tests. It has emerged as a critical input to organizational success and has come in handy as a tool to deal with the uncertainties that organizations face. It has helped to reduce ambiguity and [provide a solid foundation as a theory to conduct business – a convenient way to structure the many variables that operate in the organizational context, and to understand their interrelationship. It has aided thinkers and practitioners to formulate their thoughts in an ordered manner and to apply them in practice. There have been several such benefits, yet there are some pitfalls too.

It would be prudent on our part to realize that one should not blindly adhere to the postulations of strategy. The limitations of the concept of strategy also need to be appreciated. This is likely to elicit a mature response so that the full potential of this powerful concept can be realized. It is also intended to provide a balanced understanding of the concept of strategy. Here are two points for our consideration to help temper our enthusiasm while embracing the

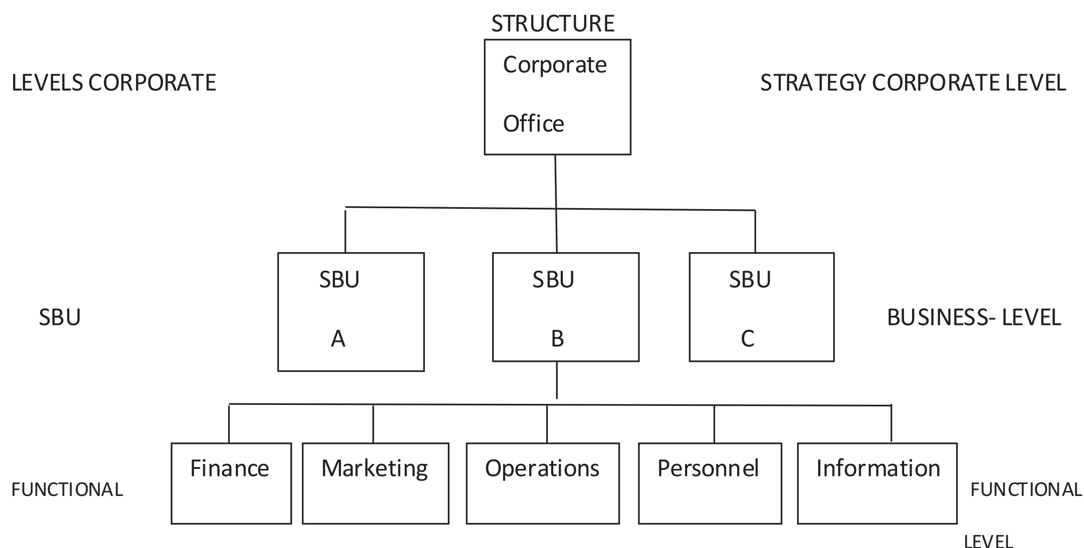
concept of strategy.

• The application of the concept of strategy to real-life situations may tend to oversimplify things. Actual situations are complex and contain several variables that are not amenable to structuring. The concept of strategy tends to distort reality and, as an abstraction of reality, it is anything but a true reflection of the actual situation. Of course, this limitation is not unique to strategy .It is present in any situation where modelling had to be resorted to in order to provide a structured understanding of reality. Just as several mathematical formulations start with a phrase that indicates that a certain number of variables are assumed to be constant.

• The application of the concept of strategy commits an organization to a predetermined course of action. While this is essential to chart out the path ahead, it can often blind an organization to emergent situations as it goes along the path. Rigidity can lead to an attitude of finality with regard to those situations that are actually not known at the time of starting the journey. It might be better, thus, to move slowly, one step at a time, and keep in mind the maxim; look before you leap. One might say that this may already be known to perceptive managers. Yet there is no harm in being cautions. "Discretion is certainly the better part of valour".

Since strategy is the most important concept in the business policy.

DIFFERENT LEVELS OF STRATEGY:



STRATEGIC DECISION-MAKING:

Decision-making is the most important function of any manager. Strategic decision making is the prominent task of the senior management. Both kinds of decision making are essentially the same. The difference lies in the levels at which they operate. While decision making pertains to all managerial functions, strategic decision making largely related to the responsibilities of the senior management.

Conventional Decision-making:

Most people agree that decision-making is the process of selecting a course of action from among many alternatives. The process works somewhat like this:

• Objectives to be achieved are determined

• Alternative ways of achieving the objectives are identified.

• Each alternative is evaluated in terms of its obje4ctive-achieving ability, and
• The best alternative is chosen.

The end result f the above process is a decision or a set of decisions to be implemented. Such a process of decision –making is deceptively simple. In practice, decision-making is a highly complex phenomenon. The first set of problems encountered in decision-making is related to objective –setting. Second, the identification of alternatives is a difficult task. How to test the objective achieving ability of each alternative is easier said than done, and, lastly, choosing the best alternative is a formidable task too.

As indicated above, the problems encountered in decision making are experienced by all managers in the course of their day-to-day activities. On the other hand, strategic tasks are by their very nature complex and varied. Decision-making in performing strategic tasks is, therefore, an extremely difficult, complicated and, at times, intriguing and enigmatic process.

In the process of strategic management the basic thrust of strategic decision-making is to make a choice regarding the courses of action to adopt. Thus, most aspects of strategy formulation rest on strategic decision making. The fundamental strategic decision relates to the choice of a mission. In other words, the answers to question-'what is our business? What will it be?, and what should it be?'- are the basic concerns in strategic management. With regard to objective setting, the senior management is faced with alternatives regarding the different yardsticks to measure performance. Finally, at the level of choosing a strategy, the senior management chooses from among a number of strategic alternatives in order to adopt one specific course of action which would make the company achieve its objectives and realize its mission.

Apart from the fundamental decisional choice, as pointed above, there are numerous occasions when the senior management has to make important strategic decisions. Environmental threats and opportunities are abundant; that the senior management focuses its attention on only a few of those.Likewise, there are many company strengths and weaknesses; the senior management considers only limited number at any given time. With regard to resource allocation, the management faces a strategic choice from among a number of alternatives that it could allocate resources to. Thus, strategic decision-making forms the core of strategic management.

STRATEGIC MANAGEMENT IN INDIAN COMPANIES:

A consultant –academic duo has attempted to analyze the strategic issues facing Indian companies over three periods of time: the pre-liberalization stage, that is, till the 1980's, the liberalization stage in the 1990's, and the post-liberalization stage, that is 2000 and beyond. The key patterns in strategic management as practiced by Indian companies in these three periods are as below:

PRE-LIBERALIZATION STAGE: STRATEGIC MANAGEMENT ON GOVERNMENT'S FRINGES

• Subsuming enterprise objectives into the national planning framework
• Capabilities in generating ad grabbing opportunities
• High diversification, non-competitive scales and weak technology capabilities
• Secretive and 'one-man' strategic management process

THE DECADE OF THE 1990S: TRANSITIONAL EUPHORIA AND REALITY-CHECK

• Carried 'operation de-linked'strategy mind set to the early 1990s

• 'Foreign complex'-governed strategy in older groups in the early 1990s
• Strategy of focus through rationalization and operations improvement by majority of companies in the late 1990s
• Strategy of growth through rationalization and operations improvement by majority of companies in the late 1990s
• Experimentation with international consulting firms in strategic management process

POST-LIBERALIZATION STAGE: ISSUES AND AGENDA IN 2000 -2010

• Acquire a 'global maverick' mindset and actively shed pre-liberalization thinking
• Synergise entrepreneurial flair with professional skills in strategic management
• Complete portfolio rationalization, but also expand boundaries through internationalsation and entry into emerging sectors.
• Mobilize increased resources and ensure adequate growth through existing businesses
• De-merge businesses as independent companies for focus and improved market capitalization
• Actively promote the development of technology capabilities.
• Decentralize organizations and develop institutionalized control mechanisms.
Source: Adapted from R.Karki and R.T.Krishnan, "Strategic management in Indian companies: Evolution and an agenda for 2000-2010".Proceedings of the Second Annual Conference of the Strategic Management Forum of India, IIM,Bangalore May 1999.

A FUTURISTIC VIEW OF THE INDIAN MANAGER:

Dhami P Sinha, Former Principal, Administrative Staff College of India, and presently President and MD, Consortium for Strategic Management and Organization Development, Hyderabad, says:"In the emerging scenario the Indian manager will have to function in the following situations".
• Managers would be required to have a 'general management and entrepreneurial orientation…."
• Managers would be expected to have a 'a thorough grasp of the external environment, the economy and state policy…."
• Managers would gain by having a 'finer grasp of the international economy and international trade…"
• Managers would be forced to keep "pace with the expansion of technology…."

In a nutshell, an understanding of the environment in which a company operates would be imperative for the manager of the future. What Sinha said long back would be imperative for the manager of the future. What Sinha said long back about the managers of tomorrow is true to a large extent for the managers of today too.

Let's see what K.V.Kamath, CEO,ICICI has to say about the 'millennial manager'. Referring to the fundamental changes in the Indian economy from, patronage to performance, Kamath is of the view that the managers in the changing scenario would be strategists. The 'millennial manager' would have to analyze competitive realities, track changes in the environment, harness new tools and technologies, create new products and services to meet rising customer expectations, and govern with integrity. Karnath foresees ten charactistics in the Indian millennial manager.
1. The e-manager. Managers would be intensely aware about information technology
2. Orientation towards shareholder value. Managers would need to acquire skills to maximize shareholder value
3. Strategic perspective. Managers would have to think in intuitive and conceptual ways using sound reasoning and logic as well as instinct and perceptions in decision-making. This would be essential to

foresee the future and track changes in customer expectations.
4. Lateral thinking. Managers would have to learn to deal with chaotic situations and the complex relationship between decision variables.
5. Responsiveness. Managers would have to provide speedy responses to environmental changes through information systems and organizational processes
6. Global experience: Managers would have to develop the sensitivity to deal with global managers and cultural preferences, business protocols, and market conditions.
7. People management: Managers would have to create capability for initiating and managing change through headship and personal qualities of patience, commitment, and perseverance.
8. Courage in decision-making. Managers would have to develop the courage to make unconventional decisions.
9. Corporate governance: Managers would have to enhance good governance practices.
10.Social Responsibility: Manages would have to maintain high ethical standards in business and focus on social responsibility.

The millennial manager could well become the differentiating variable for the successful organization.

Source: Adapted from Dharni P Sinha, "Towards 2000 AD: Training to manage change", Business India, November 16-29, 1987,pp 104-05, and K.V.Kamath, "The Millennial Manager, "Business Today, January 7,2000.

CORPORATE –LEVEL STRATEGIES:

The major types of strategies that are usually adopted by Indian organizations cover the stability strategies; expansion strategies through concentration, concentration, integration, diversification, cooperation, and internationalization strategies; diversification integration, cooperation and internationalization strategies; and the retrenchment strategies of turnaround, divestment and liquidation; and finally, the combination strategies.

MAJOR REASONS FOR ADOPTING DIFFERENT GRAND STRATEGIES:

A. STABILITY STRATEGY IS ADOPTED BECAUSE:

1.It is less risky, involves fewer changes and people feel comfortable with things as they are
2. The environment faced is relatively stable
3. Expansion may be perceived as being threatening
4. Consolidation is sought through stabilizing after a period of rapid expansion

B.EXPANSION STRATEGY IS ADOPTED BECAUSE:

1. It may become imperative when environment demands increase in pace of activity
2. Psychologically, strategists may feel more satisfied with the prospects of growth from expansion: chief executives may take pride in presiding over organizations perceived to be growth-oriented.
3. Increasing size may lead to more control over the market vis-à-vis competitors
4. Advantages from the experience curve and scale of operations may accrue.

C.RETRENCHMENT STRATEGY IS ADOPTED BECAUSE:

1. The management no longer wishes to remain in business either partly or wholly due to continuous losses and in viability
2. The environment faced is threatening

3. Stability can be ensured by reallocation of resources from unprofitable to profitable businesses

D.COMBINATION STRATEGY IS ADOPTED BECAUSE:

1. The organization is large and faces a complex environment
2. The organization is composed of different businesses, each of which lies in a different industry requiring a different response.

ANSOFF'S MATRIX FOR DIVERSIFICATION STRATEGIES

	New Products	
	Related technology	Unrelated technology
New functions		
Firm its own customer	Vertical integration	
Same type of product	Horizontal diversification	
Similar type Of product	Marketing and technology-related Diversification	Marketing related concentric diversification
New type of product	Technology-related concentric diversification	Conglomerate diversification

A POSITIVE VIEW ON DIVERSIFICATION STRATEGIES FOR INDIAN COMPANIES:

In the lively debate on focus (or concentration) versus diversification, Tarun Khanna and Krishna Palepu of the Harvard Business School offer an insightful analysis of the reasons why companies in developing countries such as India could benefit from diversification. They are opposed to the idea of core competence and focus that are now quite popular with companies and consultants in developed economies. They feel that a conglomerate organization in a developing economy, with diversified interest, has better scope for being profitable and competitive.

The central idea of the proposal is based on the hypothesis that the institutional context drives the strategy to be adopted. The institutional context has several dimensions: capital, labour and product markets; government regulations and contract enforcement. Typically, in developing economies, the institutional mechanisms are weak. The capital markets are underdeveloped, skilled labour and managerial talent is scarce; there is little scope of dissemination of reliable information about the product to consumers; the level of government regulation is high; and contract enforcement is unpredictable in the absence of effective legal systems.

Conglomerates in developing economies can effectively fill the institutional voids in several ways. They can leverage their reputation to raise external finance and use internally-generated funds for investment in new businesses. Business houses can build up a reservoir of skilled labour and trained managerial personnel for new ventures. The group identity could be used to build brand equity and awareness about businesses and products. The past experience of conglomerates and their rapport with the government can help them in establishing and running several businesses. The credibility of the conglomerates could also be used for effectively building business relationships and assuring honest dealings and honouring contractual commitments. For all these reasons, a diversified business group can e more attractive for foreign investors.

Khanna and Palepu refer to the several conglomerates in developing economies such as India, Indonesia, Malaysia and South Korea to support their conclusions. Among these, the example of the Tata group of India is prominently quoted to demonstrate how a large business group could be successful and competitive while remaining widely diversified.

HUMAN RESOURCE CONTRIBUTIONS TO STRATEGY:

Human resources can make contributions to strategy and strategic planning in a number of ways. Systems such as performance appraisal, staffing, training and compensation enable managers to implement the organization's strategic plan. Human resource planning also links strategic management and business planning with these systems. Most models of strategic human resource management view the function as having an implementations role, and it has been less common to find companies sing unique human resource capabilities as a primary input in strategy formulation. Nonetheless, more companies are drawing on human resource management in the strategy formulation process. Situations in which human resource capabilities sere as a driving force in strategy formulation occur where there are unique capabilities, such as noted earlier with the example of John Deere's creation of a technology division. Another example is Arthur Andersen's unique human resource capabilities in training. The accounting firm's Saint Charles, Illinois, training facility, which resembles a college campus, provides it with a competitive advantage. Thousands of Arthur Andersen employees receive uniform training by the firm's own highly regarded instructional staff at this facility each year. Because of its facilities and in-house instructors, the firm can react quickly to the changing demands of its clients.

CONCLUSION:

In the emerging scenario the Indian manager will have to function in the following situations. Managers would be required to have a 'general management and entrepreneurial orientation….", a thorough grasp of the external environment, the economy and state policy, a 'finer grasp of the international economy and international trade…", to keep "pace with the expansion of technology. Additionally, recognition of the human resource cost implications of strategies can be brought into the strategy formulation process when human resource management plays an important role. This has not typically been the case in the past, until such costs have become extreme. To be sure, goal displacement or losing track of the objective is an outcome to be avoided when human resource capabilities are a primary driver in strategy formulation. However, such dysfunctional side effects can be avoided with periodic reviews of the process.

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