Unit-1 Strategic Management

Introduction

Strategic Management is exciting and challenging. It makes fundamental decisions about the future direction of a firm – its purpose, its resources and how it interacts with the environment in which it operates. Every aspect of the organisation plays a role in strategy – its people, its finances, its production methods, its customers and so on. Strategic Management can be described as the identification of the purpose of the organization and the plans and actions to achieve that purpose. It is that set of managerial decisions and actions that determine the long-term performance of a business enterprise. It involves formulating and implementing strategies that will help in aligning the organisation and its environment to achieve organisational goals.

Definition:

1. "Strategic management is concerned with the determination of the basic long-term goals and theobjectives of an enterprise, and the adoption of courses of action and allocation of resources necessaryfor carrying out these goals".

– Alfred Chandler, 1962

2. "Strategic management is a stream of decisions and actions which lead to the development of aneffective strategy or strategies to help achieve corporate objectives".

– Glueck and Jauch, 1984 **Nature of Strategic Management:**

Strategic Management can be defined as the art & science of formulating, implementing, and evaluating, cross-functional decisions that enable an organisation to achieve its objectives.

Strategic management is different in nature from other aspects of management. An individual manager is most often required to deal with problems of operational nature. He generally focuses on day-to- day problems such as the efficient production of goods, the management of a sales force, the monitoring of financial performance or the design of some new system that will improve the level of customer service.!

Dimensions of Strategic Management:

The dimensions of strategic management are as follows:

1. **Top management involvement:** Strategic management relates to several areas of a firm'soperations. So, it requires top management's involvement. Generally, only the top management has the perspective needed to understand the broad implications of its decisions and the power to authorize the necessary resource allocations.
2. **Requirement of large amounts of resources:** Strategic management requires commitment of the firm to actions over an extended period of time. So they require substantial resources, such as, physical assets, money, manpower etc.
3. **Affect the firm's long-term prosperity:** Once a firm has committed itself to a particular strategy, its image and competitive advantage are tied to that strategy; its prosperity is dependent upon such a strategy for a long time.
4. **Future-oriented:** Strategic management encompasses forecasts, what is anticipated by the managers. In such decisions, emphasis is placed on the development of projections thatwill enable the firm to select the most promising strategic options. In the turbulent environment, a firm will succeed only if it takes a proactive stance towards change.
5. **Multi-functional or multi-business consequences:** Strategic management has complex implications for most areas of the firm. They impact various strategic business units especially in areas relating to customer-mix, competitive focus, organisational structure etc. All these areas will be affected by allocations or reallocations of responsibilities and resources that result from these decisions.
6. **Non-self-generative decisions:** While strategic management may involve making decisions relatively infrequently, the organisation must have the preparedness to make strategic decisions at any point of time. That is why ans off calls them" non-self-generative decisions."

Benefits of strategic management:

Benefits of Strategic management results in higher profits, sales, and productivity in firms. Main financial benefits include:

- **Profitability Management**

Enables senior executives to get feedback from department heads. This feedback helps them understand the bottlenecks at different hierarchy levels in the organization and take relevant action to improve profits.

Based on existing conditions, the senior management can develop their strategic vision and improve financial gains. Consider the example of South Korea based LG Electronics. The company faced stiff competition and low profitability almost two decades ago.

Its pricing strategy to offer products at lower costs in rural areas helped increase revenue and sales volumes. It also worked on improving brand visibility, which made LG a household name in many countries.

- **Solvency Planning**

Since strategic management deals with long-term goals, leaders analyze the existing assets, liabilities, and net worth in the balance sheet to know whether they can meet expenses in the long run.

The organization takes all necessary measures to optimize the asset-debt ratio and maintain solvency. Solvency planning is necessary to accomplish goals like growth and expansion. **Liquidity Monitoring**

Benefits of strategic management allows companies to ensure that their cash flow aligns with their long-term goals. They check it by constantly tracking cash flow statements or liquidity reports. A company facing the liquidity crisis often strains its relationship with vendors due to delayed payments. Businesses can undertake activities that result in monetary gains for performing operations by knowing about the situation on time.

For example, the electric vehicle (EV) manufacturer Tesla partnered with Panasonic for lithium batteries. The company also opened a factory to facilitate battery production.

Later, it acquired battery manufacturer Maxwell Technologies. The aim was to cut down battery costs and decrease the selling price of the vehicle to customers. This helped improve cash flow.

- **Improved Revenue Generation**

Strategic management enables the senior management to make necessary changes in the existing operating processes. By looking at competitors' strategies, the company can develop better ideas and tweak its processes to outperform them.

It helps them look for innovative ideas that can bring long-term benefits to the company in terms of revenue. It also helps bring more investors and maintain relationships with the existing ones.

- **Prevents Legal Risks**

The companies can include employee-related policies, conflict of interest policies for board members and other partner stakeholders, and other internal controls as part of the strategic management process. They can consult their insurance provider, attorney, and other professionals who can help maintain legal compliance. Consultation helps avoid the risk of penalties due to failure in fulfilling legal obligations.

Strategic management allows an organization to be more logical, rational, and systematic in its strategies.

- **Revitalize Human Resources**

Often includes proactive staffing practices that help hire the best talent and be more competitive. Companies can prepare detailed job descriptions, improve recruiting practices, provide 360-degree feedback, and take other steps that reduce turnover and boost employee satisfaction.

According to a case study published on Kesko Ltd., a trading sector company, the strategy development started from a generic level and was later devised at field level for different industries. Due to mutual trust and cooperation among the involved members, the company witnessed growth in sales, customer numbers, and market share. **Identify Problems**

Enables a detailed analysis of the organization's strengths, weaknesses, opportunities, and threats. Based on the problems, the company can take relevant actions like changing the pricing model, recruiting more staff, adding distribution channels, etc.

- **Better Decision Making**

You can make better decisions in a shorter time with benefits of strategic management. For example, if you get the opportunity to take up a new project, you can make a better decision whether to invest resources in it or not. Given that a project aligns with your ideas, you can plan and allocate resources to the project.

- **Improved Understanding of Competitors' Strategies**

Enables organizations to learn all the practices followed by their competitors. They can then implement their strategies without imitating them. This move can help in strengthening your business and meeting brand awareness goals.

For instance, HP maintained competitive advantage over the years by refining the marketing strategy and re-branding from time to time. This helped ensure that its products met its customers' evolving technological needs. **Higher Stability**

By selling into new markets, acquiring new businesses, and adding new products, you reduce your dependency on individual entities. Your profits do not depend on the success of a single product or client.

If you have just a few clients, you might have to work completely on their terms to prevent your business from shutting down.

Risks involved in Strategic Management

Strategic management is an intricate and complex process that takes an organisation into unchartered territory. It does not provide a ready-to-use prescription for success. Instead, it takes the organisation through a journey and offers a framework for addressing questions and solving problems. Strategic management is not, therefore, a guarantee for success; it can be dysfunctional if conducted haphazardly. The following are its limitations:

1. It is a costly exercise in terms of the time that needs to be devoted to it by managers. The negative effect of managers spending time away from their normal tasks may be quite serious.
2. A negative effect may arise due to the non-fulfilment of the expectations of the participating managers, leading to frustration and disappointment.Another negative effect of strategic

management may arise if those associated with the formulation of strategy are not intimately involved in the implementation of strategies.

The Strategic Management Process:

Developing an organisational strategy involves four main elements – strategic analysis, strategic choice, strategy implementation and strategy evaluation and control. Each of these contains further steps, corresponding to a series of decisions and actions, that form the basis of strategic management process.

1. ***Strategic Analysis:*** The foundation of strategy is a definition of organisational purpose.This defines the business of an organisation and what type of organisation it wants to be. Many organisations develop broad statements of purpose, in the form of vision and mission statements. These form the spring – boards for the development of more specificobjectives and the choice of strategies to achieve them.
2. ***Strategic Choice:*** The analysis stage provides the basis for strategic choice. It allows managers to consider what the organisation could do given the mission, environment and capabilities – a choice which also reflects the values of managers and other stakeholders.
3. ***Strategy Implementation:*** Implementation depends on ensuring that the organisation has a suitable structure, the right resources and competencies (skills, finance, technology etc.), right leadership and culture. Strategy implementation depends on operational factors being put into place.
4. ***Strategy Evaluation and Control:*** Organisations set up appropriate monitoring and control systems, develop standards and targets to judge performance.

Strategy Formulation

Introduction

Strategy formulation is the process of determining appropriate courses of action for achieving organisational objectives and thereby accomplishing organisational purpose.

Strategy formulation is vital to the well-being of a company or organisation. It produces a clear set of recommendations, with supporting justification, that revise as necessary the mission and objectives of the organisation, and supply the strategies for accomplishing them. In formulation, we are trying to modify the current objectives and strategies in ways to make the organization more successful.

Aspects of Strategic Formulation:

The following three aspects or levels of strategy formulation, each with a different focus, need to be dealt with in the formulation phase of strategic management. The three sets of recommendations must be internally consistent and fit together in a mutually supportive manner that forms an integrated hierarchy of strategy, in the order given.

1. Corporate Level Strategy
2. Competitive Strategy
3. Functional Strategy

Let us understand each of them one by one.

Corporate Level Strategy : In this aspect of strategy, we are concerned with broad decisions about total organisation's scope and direction. Basically, we consider what changes should be made in our growth objective and strategy for achieving it, the lines of business we are in, and how these lines of business fit together.

2. ***Competitive Strategy:*** It is quite often called as Business Level Strategy. This involves deciding how the company will compete within each Line of Business (LOB) or Strategic Business Unit

(SBU). In this second aspect of a company's strategy, the focus is on how to compete successfully in each of the lines of business the company has chosen to engage in. The central thrust is how to build and improve the company's competitive position for each of its lines of business. A company has competitive advantage whenever it can attract customers and defend against competitive forces better than its rivals. Companies want to develop competitive advantages that have some sustainability (although the typical term "sustainable competitive advantage" is usually only true dynamically, as a firm works to continue it).

3. ***Functional Strategy:*** These more localized and shorter-horizon strategies deal with how each functional area and unit will carry out its functional activities to be effective and maximize resource productivity. Functional strategies are relatively short-term activities that each functional area within a company will carry out to implement the broader, longer-term corporate leel and business level strategies. Each functional area has a number of strategy choices, that interact with and must be consistent with the overall company strategies.

Business Vision and Mission:

The first task in the process of strategic management is to formulate the organisation's vision and mission statements. These statements define the organisational purpose of a firm. Together with objectives, they form a "hierarchy of goals."

- Plans
- Objectives
- Goals
- Mission
- Vision

A clear vision helps in developing a mission statement, which in turn facilitates setting of objectives of the firm after analysing external and internal environment. Though vision, mission and objectives together reflect the "strategic intent" of the firm, they have their distinctive characteristics and play important roles in strategic management.

Vision can be defined as "a mental image of a possible and desirable future state of the organisation" (Bennis and Nanus). It is "a vividly descriptive image of what a company wants tobecome in future". Vision represents top management's aspirations about the company's direction and focus. Every organisation needs to develop a vision of the future. A clearly articulated vision moulds organisational identity, stimulates managers in a positive way and prepares the company for the future.

"The critical point is that a vision articulates a view of a realistic, credible, attractive future for the organisation, a condition that is better in some important ways than what now exists."

Vision, therefore, not only serves as a backdrop for the development of the purpose and strategy of a firm, but also motivates the firm's employees to achieve it.

According to Collins and Porras, a well-conceived vision consists of two major components:

1. Core ideology
2. Envisioned future

Core ideology is based on the enduring values of the organisation ("what we stand for and why we exist"), which remain unaffected by environmental changes. Envisioned future consists of along-term goal (what we aspire to become, to achieve, to create") which demands significant change and progress.

Importance of Mission:

The purpose of the mission statement is to communicate to all the stakeholders inside and outside the organisation what the company stands for and where it is headed. It is important to develop a mission statement for the following reasons:

1. It helps to ensure unanimity of purpose within the organisation.
2. It provides a basis or standard for allocating organisational resources.
3. It establishes a general tone or organisational climate.
4. It serves as a focal point for individuals to identify with the organisation's purpose and direction.
5. It facilitates the translation of objectives into tasks assigned to responsible people within the organisation.
6. It specifies organisational purpose and then helps to translate this purpose into objectives in such a way that cost, time and performance parameters can be assessed and controlled.

Characteristics of mission statement:

A good mission statement should be short, clear and easy to understand. It should therefore possess the following characteristics:

1. ***Not lengthy:*** A mission statement should be brief.
2. ***Clearly articulated:*** It should be easy to understand so that the values, purposes, and goals of the organisation are clear to everybody in the organisation and will be a guide to them.

3. ***Broad, but not too general:*** A mission statement should achieve a fine balance between specificity and generality.
4. ***Inspiring:*** A mission statement should motivate readers to action. Employees should find it worthwhile working for such an organisation.
5. ***It should arouse positive feelings and emotions*** of both employees and outsiders about the organisation.
6. ***Reflect the firm's worth:*** A mission statement should generate the impression that the firm is successful, has direction and is worthy of support and investment.

7. ***Relevant:*** A mission statement should be appropriate to the organisation in terms of its history, culture and shared values.
8. ***Current:*** A mission statement may become obsolete after some time. As Peter Druckerpoints out, "Very few mission statements have anything like a life expectancy of thirty, let alone, fifty years. To be good enough for ten years is probably all one can normally expect". Changes in environmental factors and organisational factors may necessitate modification of the mission statement.
9. ***Unique:*** An organisation's mission statement should establish the individuality and uniqueness of the company.
10. ***Enduring:*** A mission statement should continually guide and inspire the pursuit of organisational goals. It may not be fully achieved, but it should be challenging for managers and employees of the organisation.

Components of Mission Statement:

Mission statements may vary in length, content, format and specificity. But most agree that an effective mission statement must be comprehensive enough to include all the key components. Because a mission statement is often the most visible and public part of the strategic management process, it is important that it includes all the following essential components:

i. ***Basic product or service:*** What are the firm's major products or services?
ii. ***Primary markets:*** Where does the firm compete? iii. ***Principal technology:*** Is the firm technologically current? iv. ***Customers:*** Who are the firm's customers?
v. ***Concern for survival, growth and profitability:*** Is the firm committed to growth and financial soundness?
vi. ***Company philosophy:*** What are the basic beliefs, values, aspirations and ethical priorities of the firm?
vii. ***Company self-concept:*** What is the firm's distinctive competence or major competitive advantage?
viii. ***Concern for public image:*** Is the firm responsive to social, community and environmental concerns?
ix. ***Concern for employees:*** Are employers considered a valuable asset of the firm?
x. ***Concern for quality:*** Is the firm committed to highest quality? **Evaluating Mission Statements:**

For a mission statement to be effective, it should meet the following ten conditions:

1. The mission statement is clear and understandable to all parties involved. The organisation can articulate and relate to it.
2. The mission statement is brief enough for most people to remember.
3. The mission statement clearly specifies the purpose of the organisation. This includes a clear statement about:
   A. What needs the organisation is attempting to fill (not what products or services are offered)?
   B. Who the organisation's target populations are?
   C. How the organisation plans to go about its business; that is, what it's primary technologies are?
4. The mission statement should have a primary focus on a single strategic thrust.
5. The mission statement should reflect the distinctive competence of the organisation (e.g., what can it do best? What is its unique advantage?)
6. The mission statement should be broad enough to allow flexibility in implementation, but not so broad as to permit lack of focus.
7. The mission statement should serve as a template and be the same means by which the organisation can make decisions.
8. The mission statement must reflect the values, beliefs and philosophy of operations of the organisation.
9. The mission statement should reflect attainable goals.
10. The mission statement should be worked so as to serve as an energy source and rallying point for the organisation (i.e., it should reflect commitment to the vision). **Unit-2** **The External Assessment** **Introduction:**

At a time of fast growth, rapid changes and cut throat competition as exists in about all industries, it is a challenge for the companies to establish a strategic agenda for dealing with these contending currents and to grow despite them. A company must understand how the above currents work in its industry and how they affect the company in its particular situation. For this a very useful tool is used by the analysts. The name of this tool is external analysis. External assessment is a step where a firm identifies opportunities that could benefit it and threats that it should avoid. It includes monitoring, evaluating, and disseminating of information from the external and internal environments to key people within the corporation.

Importance of Business Environment

1. **Environment is Complex:** The environment consists of a number of factors, events, conditions and influences arising from different sources. All these interact with each other to create new sets of influences.

2. **It is Dynamic:** The environment by its very nature is a constantly changing one. The varied influences operating upon it impart dynamism to it and cause it to continually change its shape and character.

3. **Environment is multi -faceted:** The same environmental trend can have different effects on different industries. For instance, GATS is an opportunity for some companies but a threat for others.

4. **It has a far-reaching impact:** The environment has a far-reaching impact on organizations in that the growth and profitability of an organisation depends critically on the environment in which it exists.

5. **Its impact on different firms with in the same industry differs:** A change in environment may have different bearings on various firms operating in the same industry. In the pharmaceutical industry in India, for instance, the impact of the new IPR (Intellectual Property Rights) law will different for research-based pharmacy companies such as Ranbaxy and Dr. Reddy's Lab and will be different for smaller pharmacy companies.

6. **It may be an opportunity as well as a threat to expansion:** Developments in the general environment often provide opportunities for expansion in terms of both products and markets.

7. **Changes in the environment can change the competitive scenario:** General environmental changes may alter the boundaries of an industry and change the nature of its competition. This has been the case with deregulation in the telecom sector in India. Since deregulation, every second year new competitors emerge, old foes become friends and M&As follow every new regulation.

8. **Sometimes developments are difficult to predict with any degree of accuracy:** Macroeconomic developments such as interest rate fluctuations, the rate of inflation, and exchange rate variations are extremely difficult to predict on a medium or a long term basis.

On the other hand, some trends such as demographic and income levels can be easy to forecast.

Porters Fiver Forces analysis

Michael Porter (Harvard Business School Management Researcher) designed various vital frameworks for developing an organization's strategy. One of the most renowned among managers making strategic decisions is the five competitive forces model that determines industry structure. According to Porter, the nature of competition in any industry is personified in the following five forces:

i. Threat of new potential entrants
ii. Threat of substitute product/services
iii. Bargaining power of suppliers
iv. Bargaining power of buyers
v. Rivalry among current competitors

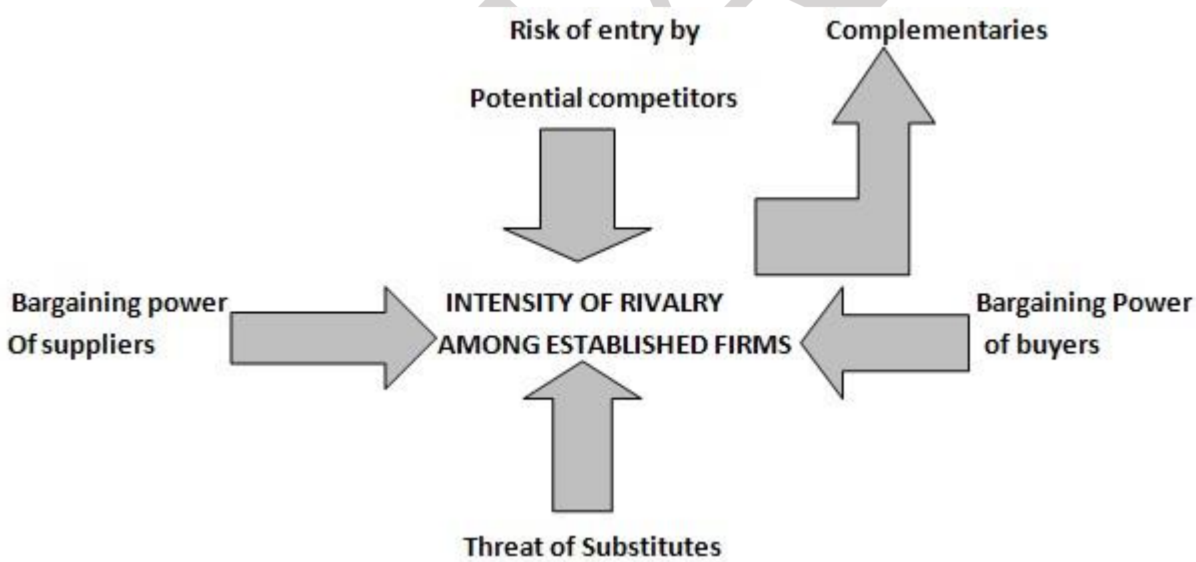


FIGURE: Porter's Five Forces model

The five forces mentioned above are very significant from point of view of strategy formulation. The potential of these forces differs from industry to industry. These forces jointly determine the profitability of industry because they shape the prices which can be charged, the costs which can be borne, and the investment required to compete in the industry. Before making strategic decisions, the managers should use the five forces framework to determine the competitive structure of industry.

Let's discuss the five factors of Porter's model in detail:

1. **Risk of entry by potential competitors:** Potential competitors refer to the firms which are not currently competing in the industry but have the potential to do so if given a choice.

   Entry of new players increases the industry capacity, begins a competition for market share and lowers the current costs. The threat of entry by potential competitors is partially a function of extent of barriers to entry. The various barriers to entry are- o Economies of scale o Brand loyalty o Government Regulation o Customer Switching Costs o Absolute Cost Advantage o Ease in distribution o Strong Capital base
2. **Rivalry among current competitors:** Rivalry refers to the competitive struggle for market share between firms in an industry. Extreme rivalry among established firms poses a strong threat to profitability. The strength of rivalry among established firms within an industry is a function of following factors: o Extent of exit barriers o Amount of fixed cost o Competitive structure of industry o Presence of global customers o Absence of switching costs o Growth Rate of industry o Demand conditions
3. **Bargaining Power of Buyers:** Buyers refer to the customers who finally consume the product or the firms who distribute the industry's product to the final consumers.

   Bargaining power of buyers refer to the potential of buyers to bargain down the prices charged by the firms in the industry or to increase the firms cost in the industry by demanding better quality and service of product.

   Strong buyers can extract profits out of an industry by lowering the prices and increasing the costs. They purchase in large quantities. They have full information about the product and the market. They emphasize upon quality products. They pose credible threat of backward integration. In this way, they are regarded as a threat.
4. **Bargaining Power of Suppliers:** Suppliers refer to the firms that provide inputs to the industry.

Bargaining power of the suppliers refer to the potential of the suppliers to increase the prices of inputs(labour, raw materials, services, etc) or the costs of industry in other ways.

Strong suppliers can extract profits out of an industry by increasing costs of firms in the industry. Suppliers products have a few substitutes. Strong suppliers' products are unique. They have high switching cost. Their product is an important input to buyer's product. They pose credible threat of forward integration. Buyers are not significant to strong suppliers. In this way, they are regarded as a threat.

5. **Threat of Substitute products:** Substitute products refer to the products having ability of satisfying customers needs effectively. Substitutes pose a ceiling (upper limit) on the potential returns of an industry by putting a setting a limit on the price that firms can charge for their product in an industry.

   Lesser the number of close substitutes a product has, greater is the opportunity for the firms in industry to raise their product prices and earn greater profits (other things being equal).

<u>Industry and Competitive Analysis:</u>

1. Identify the products or services you want to evaluate.

For most analyses, they will be the products or services that generate the highest revenues or demonstrate the most significant potential for growth.

2. Seek direct competitors.

These companies compete for roughly the same market with comparable products or services. For example, accountants competing against other accountants.

3. Pinpoint indirect competitors.

These companies target the same market but with different products or services. For example, accountants competing against bookkeepers.

4. Examine replacement competitors.

These companies offer a different product or service, but address the same issue as your products or services (for example, apps that assist entrepreneurs).

5. Determine which parts of your competitors' businesses are worth investigating.

These aspects could be pricing, distribution and delivery strategies, market share, new products or services coming to market, who their long-standing, highest-spending customers are, the quality of after-sales support, and which sales and marketing channels they use.

6. Research all identified competitors.

You may only find minimal accounting and operational records for most competitors, especially nonpublic companies. Other useful information – like target customers, product features, type of staff employed and price points – will be easier to find.

7. Document your research in a written analysis.

Make sure your document is substantive and actionable, but not so long that your staff won't read it. Comparison charts and graphs are useful to help you and your team visualize your position in the market in relation to your competitors.

8. Identify areas to improve and execute the changes.

Could you improve the quality of your products or services by adding or amending a feature, lowering the price to be more affordable or improving after-sales support? Could you achieve a better ROI on your marketing budget by investing in a more capable CRM for better lead management?

Rovner recommends including information about related trends in your market and region for a more complete picture of the entire competitive landscape. "Document what threats are out there that could have a negative impact on your business, and document the opportunities out there that you could take advantage of better than your competitors."

9. Track your results.

Measure your sales with a profit and loss statement to determine if the changes were successful.

<u>Global Environment:</u>

The PESTLE analysis, sometimes abbreviated to PEST, is a common method for conducting an environmental analysis. Organizations use this to look at factors that may impact the profitability of their business. PESTLE stands for the following factors:

Political

Political factors examine the country's current political situation. This often involves evaluating to see if the government is stable or likely to change soon. Political factors to consider include:

- Tax laws
- Government policies
- Trade restrictions
- Corruption

Economical

When conducting an environmental analysis, businesses often look at economic factors, or the current state of the economy. This allows them to design strategies based on the direction the economy appears to be going. For instance, if the unemployment rates are low, a business may assume the economy is in a good condition and consider opening another branch. Other economic factors to consider in your review are:

- Interest rate
- Inflation rate
- Foreign exchange rate
- Credit accessibility

Social

Social factors are the attitudes a country has that may impact business. For instance, in some cultures, individuals eat a diet based on their religion. This may affect the sales of certain foods in that area. Some examples of social factors include:

- Family structure
- Gender roles
- Distribution of wealth
- Education levels

Technological

Technological factors include advancements and innovations that may change how a company conducts business. For some businesses, this may positively impact their processes by utilizing automation to speed up creation. However, technology may also replace some job positions.

Technological factors to consider in your analysis include:

- New discoveries or product launches
- Rate of technological advances
- Consumer access to technology
- Technology incentives

Legal

Legal factors look at legislative changes that may impact the environment of a business. When regulatory bodies set new regulations for a particular industry, such as healthcare, it may impact that industry. Some legal factors to be aware of include:

- Health and safety regulations
- Patent infringements
- Product regulations
- Employment laws

Environmental

Environmental factors look at how the geographical location may affect a business. Certain conditions in a given area may impact trade. Environmental factors to consider in your review are:

- Weather conditions
- Waste disposal laws
- Energy consumption regulations
- Environmental policies

Competitive strategies for firms in global markets:

1. Exporting

Exporting involves marketing the products you produce in the countries in which you intend to sell them. Some companies use direct exporting, in which they sell the product they manufacture in international markets without third-party involvement. Companies that sell luxury products or have sold their goods in global markets in the past often choose this method.

Alternatively, a company may export indirectly by using the services of agents, such as international distributors. Businesses often choose indirect exporting if they're just beginning to distribute internationally. While companies pay agents for their services, indirect exporting often results in a return on investment (ROI) because the agents know what it takes to succeed in the markets in which they work.

2. Piggybacking

If your company has contacts who work for organizations that currently sell products overseas, you may want to consider piggybacking. This market entry strategy involves asking other businesses whether you can add your product to their overseas inventory. If your company and an international company agree to this arrangement, both parties share the profit for each sale. Your company can also manage the risk of selling overseas by allowing its partner to handle international marketing while your company focuses on domestic retail.

3. Countertrade

Countertrade is a common form of indirect international marketing. Countertrading functions as a barter system in which companies trade each other's goods instead of offering their products for purchase. While legal, the system does not have specific legal regulations like other forms of market entry do. This means companies may solve problems like ensuring other companies understand the value of their products and attempting to acquire goods at a similar level of quality. Countertrading is a cost-effective choice for many businesses because the practice may exempt them from import quotas.

4. Licensing

Licensing occurs when one company transfers the right to use or sell a product to another company. A company may choose this method if it has a product that's in demand and the company to which it plans to license the product has a large market. For example, a movie production company may sell a school supply company the right to use images of movie characters on backpacks, lunchboxes and notebooks.

5. Joint ventures

Some companies attempt to minimize the risk of entering an international market by creating joint ventures with other companies that plan to sell in the global marketplace. Since joint ventures often function like large, independent companies rather than a combination of two smaller companies, they have the potential to earn more revenue than individual companies. This market entry strategy carries the risk of an imbalance in company involvement, but both parties can work together to establish fair processes and help prevent this issue.

6. Company ownership

If your company plans to sell a product internationally without managing the shipment and distribution of the goods you produce, you might consider purchasing an existing company in the country in which you want to do business. Owning a company established in your international market gives your organization credibility as a local business, which can help boost sales. Company ownership costs more than most market entry strategies, but it has the potential to lead to a high ROI.

7. Franchising

A franchise is a chain retail company in which an individual or group buyer pays for the right to manage company branches on the company's behalf. Franchises occur most commonly in North America, but they exist globally and offer businesses the opportunity to expand overseas. Franchising typically requires strong brand recognition, as consumers in your target market should know what you offer and have a desire to purchase it. For well-known brands, franchising offers companies a way to earn a profit while taking an indirect management approach.

8. Outsourcing

Outsourcing involves hiring another company to manage certain aspects of business operations for your company. As a market entry strategy, it refers to making an agreement with another company to handle international product sales on your company's behalf. Companies that choose to outsource may relinquish a certain amount of control over the sale of their products, but they may justify this risk with the revenue they save on employment costs.

9. Greenfield investments

Greenfield investments are complex market entry strategies that some companies choose to use. These investments involve buying the land and resources to build a facility internationally and hiring a staff to run it. Greenfield investments may subject a company to high risks and significant costs, but they can also help companies comply with government regulations in a new market. These investments typically benefit large, established organizations as opposed to new enterprises.

10. Turnkey projects

Turnkey projects apply specifically to companies that plan, develop and construct new buildings for their clients. The term "turnkey" refers to the idea that the client can simply turn a key in a lock and enter a fully operational facility. You might consider this market entry strategy if your clients comprise foreign government agencies. International financial agencies usually manage arrangements between companies and their overseas clients to ensure the companies provide highquality service and the client pays the full amount due.

<u>The internal assessment:</u>

Internal analysis is also referred to as “internal appraisal”, “organisational audit”, “internal corporate assessment” etc. Over the years, research has shown that the overall strengths and weaknesses of a firm’s resources and capabilities are more important for a strategy than environmental factors. Even where the industry was unattractive and generally unprofitable, firms that came out with superior products enjoyed good profits., Managers perform internal analysis to identify the strengths and weaknesses of a firm’s resources and capabilities. The basic purpose is to build on the strengths and overcome the weaknesses in order to avail of the opportunities and minimize the effects of threats. The ultimate aim is to gain and sustain competitive advantage in the marketplace.

<u>SWOT Analysis:</u>

SWOT stands for strengths, weaknesses, opportunities and threats. SWOT analysis is a widely used framework to summaries a company's situation or current position. Any company undertaking strategic planning will have to carry out SWOT analysis: establishing its current position in the light of its strengths, weaknesses, opportunities and threats. Environmental and industry analyses provide information needed to identify opportunities and threats, while internal analysis provides information needed to identify strengths and weaknesses. These are the fundamental areas of focus in SWOT analysis. SWOT analysis stands at the core of strategic management. It is important to note that strengths and weaknesses are intrinsic (potential) value creating skills or assets or the lack thereof, relative to competitive forces. Opportunities and threats, however, are external factors that are not created by the company, but emerge as a result of the competitive dynamics caused by 'gaps' or 'crunches' in the market. We had briefly mentioned about the meaning of the terms opportunities, threats, strengths and weaknesses. We revisit the same for purposes of SWOT analysis.

1. ***Opportunities:*** An opportunity is a major favourable situation in a firm's environment. Examples include market growth, favourable changes in competitive or regulatory framework, technological developments or demographic changes, increase in demand, opportunity to introduce products in new markets, turning R&D into cash by licensing or selling patents etc. The level of detail and perceived degree of realism determine the extent of opportunity analysis.

2. ***Threats:*** A threat is a major unfavourable situation in a firm's environment. Examples include increase in competition; slow market growth, increased power of buyers or suppliers, changes in regulations etc. These forces pose serious threats to a company because they may cause lower sales, higher cost of operations, higher cost of capital, inability to make breakeven, shrinking margins or profitability etc. Your competitor's opportunity may well be a threat to you.

3. ***Strengths:*** Strength is something a company possesses or is good at doing. Examples include a skill, valuable assets, alliances or cooperative ventures, experienced sales force, easy access to raw materials, brand reputation etc. Strengths are not a growing market, new products, etc.

4. ***Weaknesses:*** A weakness is something a company lacks or does poorly. Examples include lack of skills or expertise, deficiencies in assets, inferior capabilities in functional areas etc. Though weaknesses are often seen as the logical 'inverse' of the company's threats, the company's lack of strength in a particular area or market is not necessarily a relative weakness because competitors may also lack this particular strength.

BCG Analysis:

Boston Consulting Group (BCG) Matrix is a four celled matrix (a 2 * 2 matrix) developed by BCG, USA. It is the most renowned corporate portfolio analysis tool. It provides a graphic representation for an organization to examine different businesses in it's portfolio on the basis of their related market share and industry growth rates.

It is a two dimensional analysis on management of SBU's (Strategic Business Units). In other words, it is a comparative analysis of business potential and the evaluation of environment.

According to this matrix, business could be classified as high or low according to their industry growth rate and relative market share.

Relative Market Share = SBU Sales this year leading competitors sales this year. **Market Growth Rate** = Industry sales this year - Industry Sales last year.

The analysis requires that both measures be calculated for each SBU. The dimension of business strength, relative market share, will measure comparative advantage indicated by market dominance. The key theory underlying this is existence of an experience curve and that market share is achieved due to overall cost leadership.

BCG matrix has four cells, with the horizontal axis representing relative market share and the vertical axis denoting market growth rate. The mid-point of relative market share is set at 1.0. if all the SBU's are in same industry, the average growth rate of the industry is used. While, if all the SBU's are located in different industries, then the mid-point is set at the growth rate for the economy.

Resources are allocated to the business units according to their situation on the grid. The four cells of this matrix have been called as stars, cash cows, question marks and dogs. Each of these cells represents a particular type of business.

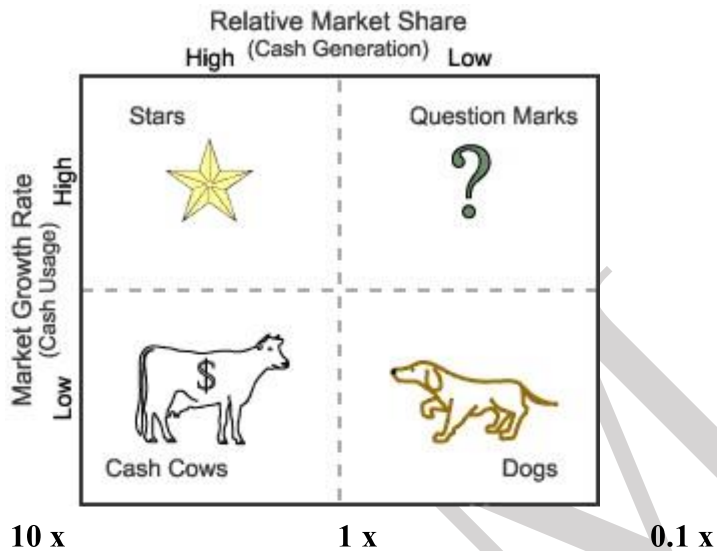


Figure: BCG Matrix

1. **Stars-** Stars represent business units having large market share in a fast growing industry. They may generate cash but because of fast growing market, stars require huge investments to maintain their lead. Net cash flow is usually modest. SBU's located in this cell are attractive as they are located in a robust industry and these business units are highly competitive in the industry. If successful, a star will become a cash cow when the industry matures.
2. **Cash Cows-** Cash Cows represents business units having a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be utilized for investment in other business units. These SBU's are the corporation's key source of cash, and are specifically the core business. They are the base of an organization. These businesses usually follow stability strategies. When cash cows loose their appeal and move towards deterioration, then a retrenchment policy may be pursued.
3. **Question Marks-** Question marks represent business units having low relative market share and located in a high growth industry. They require huge amount of cash to maintain or gain market share. They require attention to determine if the venture can be viable.

   Question marks are generally new goods and services which have a good commercial prospective. There is no specific strategy which can be adopted. If the firm thinks it has dominant market share, then it can adopt expansion strategy, else retrenchment strategy can be adopted.

Most businesses start as question marks as the company tries to enter a high growth market in which there is already a market-share. If ignored, then question marks may become dogs, while if huge investment is made, then they have potential of becoming stars.

4. **Dogs-** Dogs represent businesses having weak market shares in low-growth markets. They neither generate cash nor require huge amount of cash. Due to low market share, these business units face cost disadvantages. Generally retrenchment strategies are adopted because these firms can gain market share only at the expense of competitor's/rival firms.

   These business firms have weak market share because of high costs, poor quality, ineffective marketing, etc. Unless a dog has some other strategic aim, it should be liquidated if there is fewer prospects for it to gain market share. Number of dogs should be avoided and minimized in an organization.

Mckinsey's 7s Frame Work

The **Mckinsey's 7S Framework** suggests that there is a multiplicity of factors that influence an organization's ability to change and its proper mode of change. Because of the interconnections of the variables, it would be difficult to make significant progress in one area without making progress in the others as well. There is no starting point or implied hierarchy in the shape of the diagram, and it is not obvious which of the seven factors would be the driving force in changing a particular organization at a certain point of time. The critical variables would be different across organizations and in the same organizations at different points of time.

History of Mckinsey's 7S Framework

The 7S Framework was first mentioned in "*The Art Of Japanese Management*" by Richard Pascale and Anthony Athos in 1981. They had been investigating how Japanese industry had been so successful. At around the same time that Tom Peters and Robert Waterman were exploring what made a company excellent. The Seven S model was born at a meeting of these four authors in 1978.

It appeared also in "*In Search of Excellence*" by Peters and Waterman, and was taken up as a basic tool by the global management consultancy company McKinsey. Since then it is known as Mckinsey's 7S Framework.

Seven Levels of Mckinsey's 7S Framework

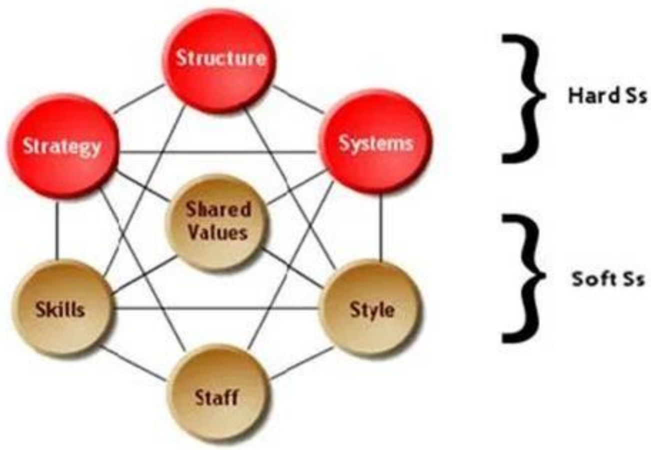
The Mckinsey's 7S Framework is a management model that describes seven factors to organize a company in a holistic and effective way. Together these factors determine the way in which a corporation operates. Managers should take into account all seven of these factors, to be sure of successful implementation of a strategy.

The Mckinsey's 7S Framework involves seven interdependent factors which are categorized as either "hard" or "soft" elements:

Hard Elements	**Soft Elements**
1. Strategy	1. Shared Values
2. Structure	2. Skills
3. Systems	3. Style
	4. Staff

Hard elements are feasible and easy to define or identify in an organization as they are normally well documented and seen in the form of tangible objects or reports such as strategy statements, corporate plans, organizational charts and other documents, and the management can directly influence them.

Soft elements, on the other hand, can be more difficult to comprehend, and are less tangible and more influenced by culture. However, these soft elements are as important as the hard elements if the organization is going to be successful.



- **Strategy** — Strategy is the plan of action an organisation prepares in response to, or anticipation of, changes in its external environment. Strategy is thought-out, well-structured and often practically rehearsed and is differentiated from tactics or operational actions.
- **Structure** — Business needs to be organised in a specific form of shape that is generally referred to as organizational structure. Organisations are structured in a variety of ways, dependent on their objectives and culture. The structure of the company often dictates the way it operates and performs. Traditionally, the businesses have been structured in a hierarchical way with several divisions and departments, each responsible for a specific task such as human resources management, production or marketing.
- **Systems** — This refers to some systems or internal processes to support and implement the strategy and run day-to-day affairs. Different systems exist in companies for procurement, recruitment, promotion and so on. The traditional approach is bureaucratic which are intended to achieve maximum effectiveness but however creating bottle neck. The emerging trends in organisations are to simplify and modernize organizational processes by innovation and use of new technology to quicken decision-making process, especially those involving customers with the intention to make the processes that involve customers more user friendly.
- **Staff** — Organisations are made up of humans and it's the people who make the real difference to the success of the organisation in the increasingly knowledge-based society. The importance

of human resources has thus got the central position in the strategy of the organisation, away from the traditional model of capital and land. In order to ensure quality staff, organisations put considerable efforts into hiring the best staff, providing them with rigorous training and mentoring support, and pushing their staff to limits in achieving professional excellence, and this forms the basis of these organizations strategy and competitive advantage over their competitors. It is also important for the organisation to instill confidence among the employees about their future in the organisation and future career growth as an incentive for hard work .

- **Style** — Organizational style refers to distinct culture and management style in organizations. It generally includes the dominant values, beliefs and norms which develop over time and become relatively peculiar to the organisation. It consists of the way company's top management interact the employees.
- **Shared Values** — All members of the organisation share some common fundamental ideas or guiding concepts around which the business is built. This may be to make money or to achieve excellence in a particular field. These values and common goals keep the employees working towards a common destination as a coherent team and are important to keep the team spirit alive. The organisations with weak values and common goals often find their employees following their own personal goals that may be different or even in conflict with those of the organisation or their fellow colleagues.
- **Skills** — Skills refers to various distinctive capabilities of key personnel and the unit as a whole. Staff without the right skills to perform any tasks can create several problems for the operations and may results into big disasters. Technology is improving our working environment and new skills needed to be developed into existing staff to fulfill their gaps.

  Skill development through training's can help the staff to have the right skills to perform their tasks.

Strategy and Culture:

An organisation's culture can exert a powerful influence on the behaviour of all employees. It can, therefore, strongly affect a company's ability to adopt new strategies. A problem for a strong culture is that a change in mission, objectives, strategies or policies is not likely to be successful if it is in opposition to the culture of the company. Corporate culture has a strong tendency to resist change because its very existence often rests on preserving stable relationships and patterns of behaviour. For example, the male-dominated Japanese centered corporate culture of the giant Mitsubishi Corporation created problems for the company when it implemented its growth strategy in North America. The alleged sexual harassment of its female employees by male supervisors resulted in lawsuits and a boycott of the company's automobiles by women activists. There is no one best corporate culture. An optimal culture is one that best supports the mission and strategy of the company. This means that, like structure and leadership, corporate culture should support the strategy. Unless strategy is in complete agreement with the culture, any significant change in strategy should be followed by a change in the organisation's culture.

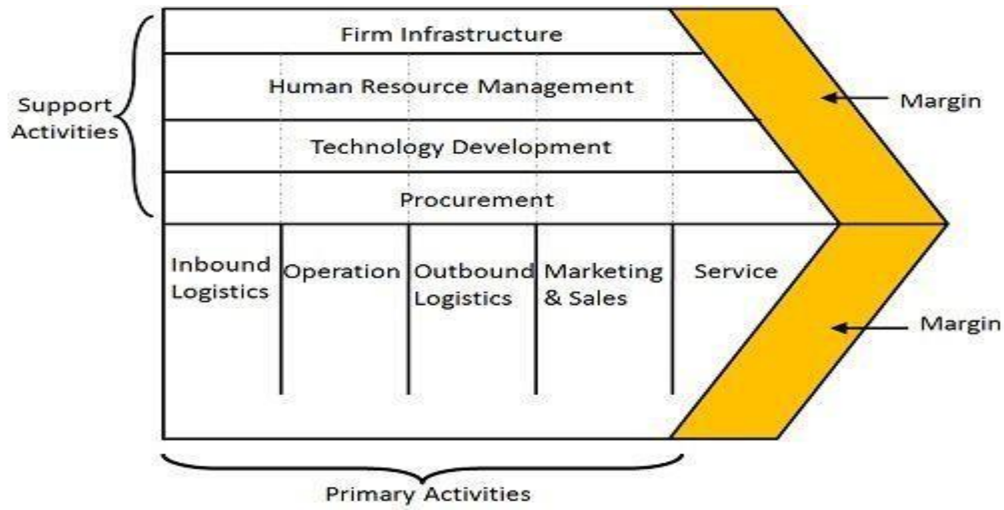
Although corporate cultures can be changed, it may often take long time and requires much effort. A key job of management therefore involves "managing corporate culture". In doing so, management must evaluate what a particular change in strategy means to the corporate culture, assess if a change in culture is needed and decide if an attempt to change culture is worth the likely costs.

'FIT' between Strategy and Culture

A culture grounded in values, practices and behavioural norms that match what is needed for good strategy implementation, helps energize people throughout the company to do their jobs in a strategy supportive manner. But when the culture is in conflict with some aspects of the company's direction, performance targets, or strategy, the culture becomes a stumbling block. Thus, an important part of managing the strategy implementation process is establishing and nurturing a good 'fit' between culture and strategy.

<u>Value Chain Analysis:</u>

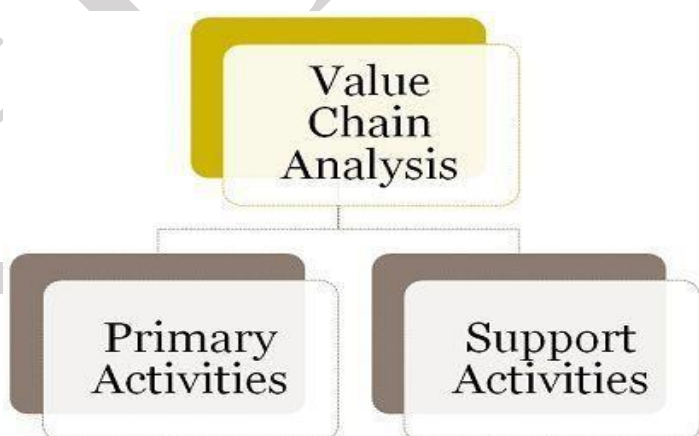
Value chain analysis is a process of dividing various activities of the business in primary and support activities and analyzing them, keeping in mind, their contribution towards value creation to the final product. And to do so, inputs consumed by the activity and outputs generated are studied, so as to decrease costs and increase differentiation. Value chain analysis is used as a tool for identifying activities, within and around the firm and relating these activities to an assessment of competitive strength.



As shown in the figure, Michael Porter classified the entire value chain into nine activities which are interrelated to one another. While primary activities include the activities that are performed to satisfy external demand, secondary activities are those which are performed to satisfy internal requirements.

Classification of Value Chain Analysis

Value Chain Analysis is grouped into primary or line activities, and support activities discussed as under:



1. **Primary Activities**: The functions which are directly concerned with the conversion of input into output and distribution activities are called primary activities. It includes:

- **Inbound Logistics**: It includes a range of activities like receiving, storing, distributing, etc. which make available goods and services for operational processes. Some of those activities are material handling, transportation, stock control, etc.
- **Operations**: The activity of transforming input raw material to final product ready for sale, is termed as operation. Machining, assembling, packaging are the activities covered under operations.
- **Outbound Logistics**: As the name suggests, the activities that help in collecting, storage and delivering the product to the customer is outbound logistics.
- **Marketing and Sales**: All the activities like advertising, promotion, sales, marketing research, public relations, etc. performed to make the customer aware of the product or service and create demand for it, comes under marketing.
- **Service**: Service means service provided to the customer so as to improve or maintain the value of the product. It includes financing service, after-sales service and so on.

2. **Support Activities**: Those activities which assist primary activities in accomplishment, are support activities. These are:
    - **Procurement**: This activity serves the organization, by supplying all the necessary inputs like material, machinery or other consumable items, that required by the organization for performing primary activities.
    - **Technology Development**: At present, technology development requires heavy investment, which takes years for research and development. However, its benefits can be enjoyed for several years and by a multitude of users in the organization.
    - **Human Resource Management**: It is the most common plus important activity which excel all primary activities of the organization. It encompasses overseeing the selection, retention, promotion, transfer, appraisal and dismissal of staff.
    - **Infrastructure**: This is the management system, which provides, its services to the whole organization and includes planning, finance, information management, quality control, legal, government affairs, etc.

In the fast paced world, the main focus of the organization is customer satisfaction, and value chain analysis is the technique that helps to attain that level. Under this, each business activity is considered as essential, which contributes value and is constantly analyzed, to increase value as regards the cost incurred.

Resources Based View of the Firm:

A 'resource' can be an asset, skill, process or knowledge controlled by an organisation. From a strategic perspective, an organisation's resources include both those that are owned by the organisation and those that can be accessed by the organisation to support its strategies. Some strategically important resources may be outside the organisation's ownership, such as its network of contacts or customers. Typically, resources can be grouped into four categories:

1. **Physical resources** include plant and machinery, land and buildings, production capacity etc.
2. **Financial resources** include capital, cash, debtors, creditors etc.
3. **Human resources** include knowledge, skills and adaptability of human resources.
4. **Intellectual capital** is an intangible resource of an organisation. This includes the knowledge that has been captured in patents, brands, business systems, customer databases and relationships with partners. In a knowledge-based economy, intellectual capital is likely to be the major asset of many organisations.

Bench Marking:

Benchmarking is the process of comparing the business processes and performance metrics including cost, cycle time, productivity, or quality to another that is widely considered to be an industry standard benchmark or best practice. Essentially, benchmarking provides a snapshot of the performance of a business and helps one understand where one is in relation to a particular standard. The result is often a business case and "Burning Platform" for making changes in order to make improvements. Also referred to as "best practice benchmarking" or "process benchmarking", it is a process used in management and particularly strategic management, in which organisations evaluate various aspects of their processes in relation to best practice companies' processes, usually within a peer group defined for the purposes of comparison. This then allows organisations to develop plans on how to make improvements or adapt specific best practices, usually with the aim of increasing some aspect of performance. Benchmarking may be a one-off event, but is often treated as a continuous process in which organisations continually seek to improve their practices.

Types of Benchmarking

Benchmarking can be of following types:

1. ***Process benchmarking:*** the initiating firm focuses its observation and investigation ofbusiness processes with a goal of identifying and observing the best practices from one or more benchmark firms. Activity analysis will be required where the objective is to benchmark cost and efficiency; increasingly applied to back-office processes where outsourcing may be a consideration.
2. ***Financial benchmarking:*** performing a financial analysis and comparing the results in an effort to assess your overall competitiveness and productivity.
3. ***Benchmarking from an investor perspective:*** extending the benchmarking universe to also compare to peer companies that can be considered alternative investment opportunities from the perspective of an investor.
4. ***Performance benchmarking:*** allows the initiator firm to assess their competitive position by comparing products and services with those of target firms.
5. ***Product benchmarking:*** the process of designing new products or upgrades to currentones. This process can sometimes involve reverse engineering which is taking apart competitors' products to find strengths and weaknesses.
6. ***Strategic benchmarking:*** involves observing how others compete. This type is usually notindustry specific, meaning it is best to look at other industries.
7. ***Functional benchmarking:*** a company will focus its benchmarking on a single function in order to improve the operation of that particular function. Complex functions such as Human Resources, Finance and Accounting and Information and Communication Technology are unlikely to be directly comparable in cost and

efficiency terms and may need to be disaggregated into processes to make valid comparison.

8. ***Best-in-class benchmarking:*** involves studying the leading competitor or the company that best carries out a specific function.
9. ***Operational benchmarking:*** embraces everything from staffing and productivity to office flow and analysis of procedures performed.

The following is an example of a typical **benchmarking methodology**:

1. ***Identify your problem areas:*** Because benchmarking can be applied to any business processor function, a range of research techniques may be required. They include: informal conversations with customers, employees, or suppliers; exploratory research techniques such as focus groups; or in-depth marketing research, quantitative research, surveys, questionnaires, re-engineering analysis, process mapping, quality control variance reports, or financial ratio analysis. Before embarking on comparison with other organisations it is essential that one knows one's own organisation's function, processes; base lining performance provides a point against which improvement effort can be measured.
2. ***Identify other industries that have similar processes:*** For instance if one were interested in improving hand offs in addiction treatment he/she would try to identify other fields that also have hand off challenges. These could include air traffic control, cell phone switching between towers, transfer of patients from surgery to recovery rooms.
3. ***Identify organisations that are leaders in these areas:*** Look for the very best in any industry and in any country. Consult customers, suppliers, financial analysts, trade associations, and magazines to determine which companies are worthy of study.
4. ***Survey companies for measures and practices:*** Companies target specific business processes using detailed surveys of measures and practices used to identify business

process alternatives and leading companies. Surveys are typically masked to protect confidential data by neutral associations and consultants.

5. ***Visit the "best practice" companies to identify leading edge practices:*** Companies typically agree to mutually exchange information beneficial to all parties in a benchmarking group and share the results within the group.
6. ***Implement new and improved business practices:*** Take the leading edge practices and develop implementation plans which include identification of specific opportunities, funding the project and selling the ideas to the organisation for the purpose of gaining demonstrated value from the process.

UNIT-3

Strategies in Action

The Balanced Scorecard

Introduction

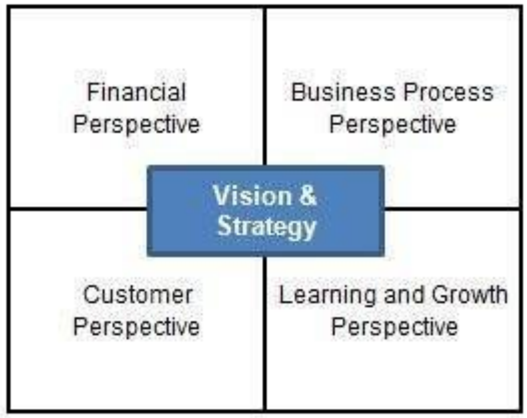
The balance scorecard is used as a strategic planning and a management technique. This is widely used in many organizations, regardless of their scale, to align the organization's performance to its vision and objectives.

The scorecard is also used as a tool, which improves the communication and feedback process between the employees and management and to monitor performance of the organizational objectives.

As the name depicts, the balanced scorecard concept was developed not only to evaluate the financial performance of a business organization, but also to address customer concerns, business process optimization, and enhancement of learning tools and mechanisms.

The Basics of Balanced Scorecard

Following is the simplest illustration of the concept of balanced scorecard. The four boxes represent the main areas of consideration under balanced scorecard. All four main areas of consideration are bound by the business organization's vision and strategy.



The balanced scorecard is divided into four main areas and a successful organization is one that finds the right balance between these areas.
Each area (perspective) represents a different aspect of the business organization in order to operate at optimal capacity.

- **Financial Perspective -** This consists of costs or measurement involved, in terms of rate of return on capital (ROI) employed and operating income of the organization.
- **Customer Perspective -** Measures the level of customer satisfaction, customer retention and market share held by the organization.
- **Business Process Perspective -** This consists of measures such as cost and quality related to the business processes.
- **Learning and Growth Perspective -** Consists of measures such as employee satisfaction, employee retention and knowledge management.

The four perspectives are interrelated. Therefore, they do not function independently. In real-world situations, organizations need one or more perspectives combined together to achieve its business objectives.
For example, Customer Perspective is needed to determine the Financial Perspective, which in turn can be used to improve the Learning and Growth Perspective.

Features of Balanced Scorecard

From the above diagram, you will see that there are four perspectives on a balanced scorecard. Each of these four perspectives should be considered with respect to the following factors.
When it comes to defining and assessing the four perspectives, following factors are used:

- **Objectives -** This reflects the organization's objectives such as profitability or market share.
- **Measures -** Based on the objectives, measures will be put in place to gauge the progress of achieving objectives.
- **Targets -** This could be department based or overall as a company. There will be specific targets that have been set to achieve the measures.
- **Initiatives -** These could be classified as actions that are taken to meet the objectives. **Types of Strategies:**

Alternative strategies that an enterprise could pursue can be categorized in to thirteen actions: forward integration, backward integration, horizontal integration, market penetration, market development, product development, concentric diversification, conglomerate diversification, horizontal diversification, joint venture, retrenchment, divesture, liquidation, and a combination strategy.

I. INTEGRATION STRATEGIES

a) **Forward Integration**: involves gaining ownership or increased control over distributers or retailers. An effective means of implementing forward integration is franchising. Business can expand rapidly by franchising because costs and opportunities are spread among many individuals. E.g. Coca-cola continues to purchase domestic and foreign bottlers.

b) **Backward Integration:** Both manufacturers and retailers purchase needed materials from suppliers. Backward integration is a strategy of seeking ownership or increased control of a firm's supplier. This strategy is can be especially appropriate when a firm's current suppliers are unreliable, too costly, or cannot meet the firm's standard.

c) **Horizontal Integration:** refers to a strategy of seeking ownership of or increased control over a firm's competitors. Mergers, acquisition, and takeovers among competitors allow for increased economies of scale and enhanced transfer of resources and competencies.

Horizontal integration has become the most favored growth strategy in many industries

II. INTENSIVE STRATEGIES

These types of strategies require intensive efforts to improve a firm's competitive position with existing products.

a) **Market Penetration:** this strategy seeks to increase market share for present products or service in present market through grater marketing efforts. It includes increasing the number of sales persons, increasing advertising expenditures, offering extensive sales promotions, or increasing publicity efforts.

b) **Market Development:** involves introducing present products or services in to new geographic areas. In many industries such as airlines, it is going to be hard to maintain a competitive edge by staying close to home.

c) **Product development:** is a strategy that seeks increased sales by improving or modifying present products or services. It usually entails large research and development expenditures.

III. DIVERSIFICATION STRATEGIES

There are three general types of diversification strategies: concentric, horizontal, and conglomerate. However diversification strategies are becoming less and less popular as organizations are finding it more and more difficult to manage diverse business activities.

a) **Concentric Diversification**: adding new, but related, products or service is widely called concentric diversification. E.g. entry of Bell Corporation, a telephone company, in to video programming business.

b) **Horizontal diversification:** adding new, unrelated products or service for present customers is called horizontal diversification. This strategy is not as risky as conglomerate diversification, because a firm should already be familiar with its present customers.

c) **Conglomerate Diversification:** Adding new, unrelated products or services is called conglomerate diversification. Some firms pursue this strategy based on an expectation of profits from breaking up acquired firms and selling divisions piecemeal. It is based on a stand that there is some kind of anti-synergy, the whole being worth less that the parts.

IV. DEFENSIVE STRATEGIES

a) **Joint Venture**: is a popular strategy that occurs when two or more companies form a temporary partnership or consortium for the purpose of capitalizing on some opportunity. This strategy can be considered defensive only because the firm is not undertaking the project alone. Joint venture and cooperative arrangements are being used increasingly because they allow companies to improve communications and networking, to globalize operations and to minimize risk.

b) **Retrenchment**: occurs when an organization regroups through cost and asset reduction to reverse declining sales and profits. It is sometimes called turnaround or reorganizational strategy, retrenchment is designed to fortify an organization's basic distinctive competencies. This strategy entail selling off land and buildings to raise needed cash, pruning product line, closing marginal business, closing obsolete factories, reducing number of employees, and instituting expense control systems.

c) **Divestiture:** selling a division or part of an organization is called divestiture. It is used to raise capital for further strategic acquisitions or investments. It can be part of an overall retrenchment strategy to rid an organization of business that are unprofitable, that require too much capital, or that do not fit well with the firm's other activities.

d) **Liquidation:** selling all of a company's assets, in parts, for their tangible worthies called liquidation. Liquidation is recognition of defeat and consequently can be emotionally difficult strategy.

e) **Combination:** many organizations pursue a combination of two or more strategies simultaneously, but this strategy can be exceptionally risky if carried too far. No organization can afford to pursue all the strategies that might benefit the firm. Organizations cannot do too many things well because resources and talents get spread thin and competitors gain advantage. In large diversified companies, a combination strategy is commonly employed when different divisions pursue different strategies.

Michael Porter's generic strategies

According to porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter calls these bases generic strategies.

- Cost leadership emphasizes producing standardized products at very low per-unit cost for consumers who are price sensitive.
- Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price insensitive.

- Focus means producing products and services that fulfill the needs of small groups of consumers.

Porter strategies imply different organizational arrangements, control procedures, and incentive systems. Larger firms with greater access to resources typically compete on a cost leadership and/or differentiation basis; whereas smaller firms often compete on a focus basis. Porter stresses the need for strategists to perform cost-benefit analysis to evaluate "sharing opportunities" among firm's business units. He also stresses the need for firms to "transfer" skills and expertise among autonomous business units effectively in order to gain competitive advantage.

Strategic Analysis and Choice

Strategy analysis and choice seek to determine alternative courses of action that could best enable the firm to achieve its mission and objectives. The firm's present strategies, objectives, and mission, coupled with the external and internal audit information, provide a basis for generating and evaluating feasible alternative strategies.

Unless a desperate situation confronts the firm, alternative strategies will likely represent incremental steps that move the firm from its present position to a desired future position.

Alternative strategies do not come out of the wild blue yonder; they are derived from the firm's vision, mission, objectives, external audit, and internal audit; they are consistent with, or build on, past strategies that have worked well.

Business Unit Level Strategy

A strategic business unit may be a division, product line, or other profit center that can be planned independently from the other business units of the firm.

At the business unit level, the strategic issues are less about the coordination of operating units and more about developing and sustaining a competitive advantage for the goods and services that are produced. ***Competitive Strategy often called Business Level Strategy.*** This involves deciding how the company will compete within each line of business (LOB) or strategic business unit (SBU).

At the business level, the strategy formulation phase deals with:

- positioning the business against rivals

- anticipating changes in demand and technologies and adjusting the strategy to accommodate them
- influencing the nature of competition through strategic actions such as vertical integration and through political actions such as lobbying.

Michael Porter identified three generic strategies (*cost leadership*, *differentiation*, and *focus*) that can be implemented at the business unit level to create a competitive advantage and defend against the adverse effects of the five forces.

COST LEADERSHIP STRATEGIES

The aim of this strategy is to operate the business in highly cost effective manner and open up a sustainable cost advantage over rivals. Successful low-cost leaders are exceptionally good at finding ways to drive costs out of their business. A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits. But cost leadership generally must be pursued in conjunction with differentiation. It is appealing to a broad spectrum of customers based on being the overall low cost provider of a product or service. A number of cost elements affect the relative attractiveness of generic strategies includes economies or diseconomies of scale achieved, learning and experience curve effects, the percentage of capacity utilization achieved, linkage with suppliers and distributors, the potential for sharing costs and knowledge, labor costs, tax rates, energy costs, and shipping costs.

Striving to be low cost leader is effective when the market is comprised of many price-sensitive buyers, when there are few ways to achieve product differentiation, when buyers do not care much about differences from brand to brand, or when there are a large number of buyers with significant bargaining power. The basic idea is to under price competitors and thereby gains market share and sales, driving some competitors out of the market.

A successful cost leadership strategy usually permeates the entire firm, as evidenced by high efficiency, low overhead, limited perks, intolerance of waste, intensive screening of budget requests, wide span of control, reward linked to cost containment, and broad employee participation in cost control efforts. The Some risks of pursuing cost leadership are:-

- ✓ Competitors may imitate the strategy
- ✓ Technological breakthrough may make the strategy ineffective ✓ Buyer may swing to other differentiation feature besides price

DIFFERENTIATION STRATEGIES

The essence of a differentiation strategy is to be unique in ways that are valuable to customers and that can be sustained. Successful differentiation can mean greater product flexibility, greater compatibility, lower costs, improved service, less maintenance, greater convenience, or more features. Differentiation does not guarantee competitive advantage, especially if standard products sufficiently meet customer needs or if rapid imitation by competitors is possible. A differentiation strategy should be pursued only after careful study of buyers' needs and preferences. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customers loyalty since customers may become strongly attached to the differentiation features. Features include superior service, spare parts availability, engineering design, product performance, useful life, or ease of use. Common organizational requirements for a successful differentiation strategy include strong coordination among the R&D (Research and Development) and marketing functions and substantial amenities to attract scientists and creative people. Some of the risks of this strategy are;

- ✓ Unique product may not valued by customer to justify the higher price
- ✓ Competitors may develop ways to quickly copy the differentiating feature

SPEED AND MARKET FOCUS STRATEGY

This strategy focuses on concentrating attention on a narrow piece of the total market. A successful focus strategy depends upon an industry segment that is of sufficient size, has good growth potential, and is not crucial to the success of other major competitors. Midsize and large firms can effectively pursue focus based strategies only in conjunction with differentiation or cost leadership-based strategies. All firms follow a differentiated strategy. This strategy is effective when consumers have distinctive preferences or requirements and when rival firms are not attempting to specialize in the same target segment. A focus strategy may concentrate on a particular group of customers, geographic markets, or product line segments in order to serve a well defined narrow market. A focuser's basis for competitive advantage is either (1) lower costs than competitors in serving the market niche or (2) an ability to offer niche members something they perceive is better. This strategy is effective when;

- The target market niche is big enough to be profitable
- The niche has good growth potential
- The niche is not crucial to the success of competitors
- The focusing firm has the capabilities and resources to serve the niche
- The focuser can defend itself against challengers

The risk of this strategy includes;

✓ Numerous competitors recognize the successful focus strategy and copy the strategy ✓ Consumer preferences drift toward attributes desired by the market as a whole.

Multi Business Strategy

This multi business strategy can be done by any of the following technologies –

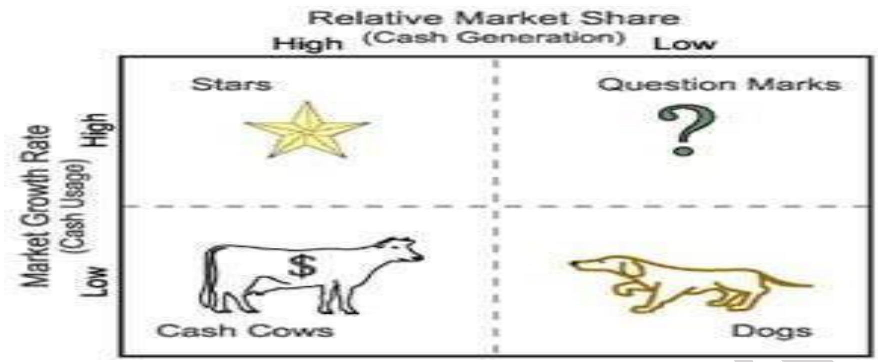
A) BCG matix
B) GE nine cell matrix

A) BCG MATRIX – the bcg matrix was developed by Boston Consulting group in 1970s. It is also called as the growth share matrix. This is the most popular and most simplest matrix to describe the corporation's portfolio of businesses or products.

The BCG matrix helps to determine priorities in a product portfolio. Its basic purpose is to invest where there is growth from which the firm can benefit, and divest those businesses that have low market share and low growth prospects.

Each of the products or business units is plotted on a two dimensional matrix consisting of

a) relative market share – is the ratio of the market share of the concerned product or business unit in the industry divided by the share of the market leader
b) market growth rate – is the percentage of market growth, by which sales of a particular product or business unit has increased


Relative Market Share
(Cash Generation)
High
Low
Market Growth Rate
(Cash Usage)
High
Low
Stars
Question Marks
$
Cash Cows
Dogs

Analysis of the BCG matrix – the matrix reflects the contribution of the products or business units to its cash flow. Based on this analysis, the products or business units are classified as – i) Stars ii) Cash cows iii) Question marks iv) Dogs

i) Stars – high growth, high market share

Stars are products that enjoy a relatively high market share in a strongly growing market. They are potentially profitable and may grow further to become an important product or category for the company. The firm should focus on and invest in these products or business units. The general features of stars are -

- High growth rate means they need heavy investment
- High market share means they have economies of scale and generate large amount of cash
- But they need more cash than they generate

The high growth rate will mean that they will need heavy investment and will therefore be cash users. Overall, the general strategy is to take cash from the cash cows to fund stars. Cash may also be invested selectively in some problem children (question marks) to turn them into stars. The other problem children may be milked or even sold to provide funds elsewhere. Over the time, all growth may slow down and the stars may eventually become cash cows. If they cannot hold market share, they may even become dogs. i) Cash Cows – Low growth, high market share

These are the product areas that have high relative market shares but exist in low-growth markets. The business is mature and it is assumed that lower levels of investment will be required. On this basis, it is therefore likely that they will be able to generate both cash and profits. Such profits could then be transferred to support the stars. The general features of cash cows are –

- They generate both cash and profits
- The business is mature and needs lower levels of investment
- Profits are transferred to support stars/question marks
- The danger is that cash cows may become under-supported and begin to lose their market

  Although the market is no longer growing, the cash cows may have a relatively high market share and bring in healthy profits. No efforts or investments are necessary to maintain the status quo. Cash cows may however ultimately become dogs if they lose the market share.

Over the time, all growth may slow down and the stars may eventually become cash cows. If they cannot hold market share, they may even become dogs.

ii) Cash Cows – Low growth, high market share

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- The danger is that cash cows may become under-supported and begin to lose their market Although the market is no longer growing, the cash cows may have a relatively high market share and bring in healthy profits. No efforts or investments are necessary to maintain the status quo. Cash cows may however ultimately become dogs if they lose the market share.

iii) Question Marks – high growth, low market share

Question marks are also called problem children or wild cats. These are products with low relative market shares in high growth markets. The high market growth means that considerable investment may still be required and the low market share will mean that such products will have difficulty in generating substantial cash. These businesses are called question marks because the organization must decide whether to strengthen them or to sell them. The general features of question marks are –

- Their cash needs are high
- But their cash generation is low
- Organization must decide whether to strengthen them or sell them

Although their market share is relatively small, the market for question marks is growing rapidly. Investments to create growth may yield big results in the future, though this is far from certain. Further investigation into how and where to invest is advised.

iv) Dogs – Low growth, low market share

These are products that have low market shares in low growth businesses. These products will need low investment but they are unlikely to be major profit earners. In practice, they may actually absorb cash required to hold their position. They are often regarded as unattractive for the long term and recommended for disposal. The general features of dogs are –

- They are not profit earners

- They absorb cash
- They are unattractive and are often recommended for disposal.

Turnaround can be one of the strategies to pursue because many dogs have bounced back and become viable and profitable after asset and cost reduction. The suggested strategy is to drop or divest the dogs when they are not profitable. If profitable, do not invest, but make the best out of its current value. This may even mean selling the division's operations. Advantages –

- it is easy to use
- it is quantifiable
- it draws attention to the cash flows
- it draws attention to the investment needs

Limitations –

- it is too simplistic
- link between market share and profitability is not strong
- growth rate is only one aspect of industry attractiveness
- it is not always clear how markets should be defined
- market share is considered as the only aspect of overall competitive position
- many products or business units fall right in the middle of the matrix, and cannot easily be classified.

BCG matrix is thus a snapshot of an organization at a given point of time and does not reflect businesses growing over time

A) GE Nine-cell matrix

. This matrix was developed in 1970s by the General Electric Company with the assistance of the consulting firm, McKinsey & Co, USA. This is also called GE multifactor portfolio matrix. The

GE matrix has been developed to overcome the obvious limitations of BCG matrix. This matrix consists of nine cells (3X3) based on two key variables:

i) business strength ii) industry attractiveness

The horizontal axis represents business strength and the vertical axis represent industry attractiveness

The business strength is measured by considering such factors as:

- relative market share
- profit margins
- ability to compete on price and quality
- knowledge of customer and market
- competitive strengths and weaknesses
- technological capacity
- caliber of management

Industry attractiveness is measured considering such factors as :

- market size and growth rate
- industry profit margin
- competitive intensity
- economies of scale
- technology
- social, environmental, legal and human aspects

The industry product-lines or business units are plotted as circles. The area of each circle is proportionate to industry sales. The pie within the circles represents the market share of the product line or business unit.

The nine cells of the GE matrix represent various degrees of industry attractiveness (high, medium or low) and business strength (strong, average and weak). After plotting each product line or business unit on the nine cell matrix, strategic choices are made depending on their position in the matrix.

Spotlight Strategy

GE matrix is also called “Stoplight” strategy matrix because the three zones are like green, yellow and red of traffic lights.

1) Green indicates invest/expand – if the product falls in green zone, the business strength is strong and industry is at least medium in attractiveness, the strategic decision should be to expand, to invest and to grow.

2) Yellow indicates select/earn – if the product falls in yellow zone, the business strength is low but industry attractiveness is high, it needs caution and managerial discretion for making the strategic choice
3) Red indicates harvest/divest – if the product falls in the red zone, the business strength is average or weak and attractiveness is also low or medium, the appropriate strategy should be divestment. Advantages –

1) It used 9 cells instead of 4 cells of BCG
2) It considers many variables and does not lead to simplistic conclusions
3) High/medium/low and strong/average/low classification enables a finer distinction among business portfolio
4) It uses multiple factors to assess industry attractiveness and business strength, which allow users to select criteria appropriate to their situation Limitations –

1) It can get quite complicated and cumbersome with the increase in businesses
2) Though industry attractiveness and business strength appear to be objective, they are in reality subjective judgements that may vary from one person to another
3) It cannot effectively depict the position of new business units in developing industry
4) It only provides broad strategic prescriptions rather than specifics of business policy

Comparision GE versus BCG -

Thus products or business units in the green zone are almost equivalent to stars or cashcows, yellow zone are like question marks and red zone are similar to dogs in the BCG matrix.

Difference between BCG and GE matrices –

BCG Matrix	GE Matrix
1. BCG matrix consists of four cells	1. GE matrix consists of nine cells
2. The business unit is rated against relative market share and industry growth rate	2. The business unit is rated against business strength and industry attractiveness
3. The matrix uses single measure to assess growth and market share	3. The matrix used multiple measures to assess business strength and industry attractiveness
4. The matrix uses two types of classification i.e high and low	4. The matrix uses three types of classification i.e high/medium/low and strong/average/weak

5. Has many limitations	5. Overcomes many limitations of BCG and is an improvement over it

Limitations of Portfolio Approaches:

Portfolio planning is a useful tool, but has important limitations.

- Portfolio planning usually oversimplifies the practical reality of competition by focusing only on a pair of dimensions while analyzing the company's operations within an industry. There are importance of many dimensions to consider while making strategic decisions, hence two are not enough.
- Portfolio planning is a useful tool but it can lead to motivational problems among employees. For example, if workers readily know that their firm is classified as a dog, then they may give up pushing ahead and lose all hope for the future.
- Portfolio planning does not identify any new scope. This tool only deals with existing businesses. **The Parenting Framework:**

multi-business corporate enterprises consist of businesses and a corporate hierarchy of line managers, functions, and staffs outside these businesses, which refers to as the **corporate parent** that is responsible for making corporate decisions. Parent could be defined as all those levels of management that are not part of customer-facing, profit-responsible business units, or, simply, whatever is left outside the business units but within the enterprise. The role of parent is multiple and, among other things, includes making decisions about new businesses to support or acquisitions to make, determining the structure of enterprise, defining budgeting and capital expenditure processes, setting the corporate values and attitudes. The businesses better perform in aggregate under the parent's ownership than they would if they were independent entities. Also, the parent must add more value than cost to the businesses in the portfolio.

There are basically three styles of corporate parenting as follows;

1. **Financial control.** Under this style the role of the corporate parent is to monitor and evaluate the financial performance of investment portfolio of the respective business units. The corporate managers act as agents on behalf of shareholders and financial markets to identify and acquire viable assets and businesses. The business unit managers are given the autonomy to carry out business activities and make decisions at their level. However the corporate parent sets performance standards for control purposes.
2. **Strategic planning.** Under this style the role of the corporate parent is to enhance synergies across the business units. This may be achieved through: envisioning to build a common purpose, facilitating cooperation across businesses and providing central services and resources.

3. **Strategic control.** Under this style the corporate parent leverages its resources and competences to build value for its businesses. For example a corporate could have a valuable brand or a specialist skill. The corporate parent uses its parenting capabilities to seize opportunities for growth.

There are nine propositions for achieving **parenting advantage** and, consequently, for successful implementation of corporate parenting strategy.

1. **Justifying the Parent:** Many of the businesses in multi-business corporate enterprise could be viable as stand-alone entities. Since the corporate parent has no external customers for its product/services, it can justify itself if it influences businesses collectively to perform better than they would as independent entities. The challenge for the corporate parent to justify itself is important because it focuses attention on whether and how its activities do add value, which leads to the elimination of worthless and bureaucratic routines in the activities of enterprise.
2. **Parenting Advantage:** Corporate parents compete with each other for the ownership of businesses. Therefore, for keeping their stakeholders (especially businesses), the parents must add more value to the businesses in the portfolio than other rival parents would. This objective, which is referred to as achieving parenting advantage, should be one of the most important objectives of corporate strategy. Namely, parenting advantage should be the guiding criterion for corporate-level strategy, rather as competitive advantage is for businesslevel strategy.
3. **Value Destruction:** All multi-business enterprises have tendencies to destroy value. It is corporate hierarchy, especially senior management, that inevitably destroys some value. Value destruction drivers (so-called information filters) are related to the tendency of business managers to filter the information they provide to corporate management in order to present their businesses in the most favorable light. For avoiding value destruction, corporate parents must be more disciplined, which implies avoiding intervention in businesses unless they have specific reasons for believing that their influence will be positive, or avoiding extension of their portfolio into new businesses unless they are sure that they will be able to add value. So, good corporate strategy should recognize the tendencies of value destruction and be designed to minimize their influence as much as to maximize value creation.
4. **Lateral Synergies:** Since there is existence or potential for lateral linkages between the businesses in corporate enterprise, the main role of parent managers should be to create synergy. It primarily includes their pursuing of real synergy opportunities, and their positive interventions in the lateral relationships between businesses. The parent managers should also focus their efforts only on those synergies that need central intervention as well as encourage so-called market place relationships between business units. So, the importance of lateral synergies in creating value in corporate enterprise requires from corporate parents to pay relatively more attention to other sources of value creation, in particular their ability to improve performance in each individual business as an independent entity.
5. **Value Creation:** Value creation primarily occurs when the parent sees an opportunity for a business to improve performance and has the skills, resources and other characteristics for helping the business to seize the opportunity. This means that the parent enhances both the

individual performance of the business and the value of linkages between the businesses, and creates value by altering the composition of the business portfolio performing its corporate development activities. The conditions for value creation are important because they force corporate parent to think about major opportunities for added value through the corporate strategy and also help corporate parent to focus its efforts on building special competences or skills that fit the particular opportunities targeted by the businesses.

6. **Corporate Office and Management Processes:** The importance of the size, staffing and design of the corporate office as well as managing corporate processes (such as planning, performance targeting and monitoring, etc.) are not in question, and managers devote considerable attention to them. But if corporate functions and processes are not developed as an integral part of the overall value adding corporate strategy, they may lead to little or no improvement in performance. For parent managers it is far more important to possess the skills that are suitable for the parenting opportunities targeted by the corporate-level strategy
7. **Diversity:** It is a fact that highly diverse corporate enterprises are more difficult to manage than less diverse ones. So a vital managerial guidance for corporate parent is provided by creating valid measures of diversity. In that sense, diversity is best measured in terms of the differences in parenting needs and opportunities between businesses in portfolio. To avoid excessive diversity, corporate parent should build its portfolio around businesses with similarities in terms of parenting needs and opportunities.
8. **Stretch and Fit:** Corporate parent must realistically consider the speed with which it can build new skills and understand new types of businesses. It is supposed to search for new opportunities continuously and refine and extend parenting skills, which encourage innovative ideas and help eliminate many disasters of excessive corporate ambition. Therefore, enterprises that do push forward into new businesses will prosper more if they choose those businesses that are compatible with parenting skills that they can develop. It is better to choose a narrower range of businesses where greater fit can be created. Good corporate strategy should maintain a balance between the stretch for new opportunities and fit with the parent's existing skills.
9. **Business Unit Definition and Corporate Structure:** Business units (businesses) represent the basic "building blocks" in any multi-business corporate enterprise. Business unit definition and, consequently, corporate structure have a profound impact on both the value creation opportunities and the value destruction risks for the corporate parent. They impact the behavior and aims of business managers and the size and nature of parenting opportunities. Inappropriate business definitions lead to compromised business strategies and missed opportunities for parenting value creation. Therefore, decisions on unit definitions and corporate structure should be determined by careful analysis of their likely impact on value creation. Getting the unit definitions and corporate structure right is an important precondition for a successful corporate strategy.

Unit-4 Strategic Implementation

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as maximize efficiency, quality, and customer satisfaction-the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.

An organizational control system is also required. This control system equips managers with motivational incentives for employees as well as feedback on employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes, norms and beliefs shared by organizational members and groups.

Following are the main **steps in implementing a strategy:**

- Developing an organization having potential of carrying out strategy successfully.
- Disbursement of abundant resources to strategy-essential activities.
- Creating strategy-encouraging policies.
- Employing best policies and programs for constant improvement.
- Linking reward structure to accomplishment of results.
- Making use of strategic leadership.

Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource-allocation process, etc.

Strategy implementation poses a threat to many managers and employees in an organization. New power relationships are predicted and achieved. New groups (formal as well as informal) are formed whose values, attitudes, beliefs and concerns may not be known. With the change in power and status roles, the managers and employees may employ confrontation behavior.

Short Term Objectives:

Strategic management tends to focus on long-term objectives that can take several years to accomplish, but managers need to be aware of the importance that short-term objectives play in business strategy. Short-term strategies can fall into one of four categories. Managers should understand what these objectives are and how they can benefit a firm.

Financial Objectives

Short-term financial objectives deal with monetary goals for the near future. Examples of short-term financial objectives include increasing monthly profits or decreasing quarterly expenditures. Shortterm financial goals are, often, a part of a more long-term objective. For example, increasing monthly revenues may be part of a long-term strategy for growth.

Employee Objectives

A business may have a long-term development strategy for its employees, but for people to reach long term-goals they must first meet the short-term objectives. Short-term employee objectives could include increasing monthly personal production levels or increasing weekly personal sales, among others.

Production Objectives

Production objectives are, generally, short-term objectives. Common short-term production objectives are increasing monthly production levels, decreasing daily error rates and increasing quarterly production efficiency. Normally, these short-term goals are part of a longer-term strategy. For example, increasing monthly production might be part of a long-term strategy for regular sales growth, and a long-term plan to increase profits might call for an increase to short-term sales objectives.

Sales Objectives

Sales objectives can be long-term objectives, but normally they are focused on the short term -- often being daily or even hourly objectives. Short-term sales may be measured in either sales value or in the number of sales. Typically, short-term sales objectives are adjusted to react to a firm's longterm strategies.

Financial Tactics

Financial management strategies are essentially general principles that your company can implement to reap maximum benefits out of financial systems and processes. These strategies can be customized to suit your company's specific goals, needs, and means in procuring and utilizing funds.

The main goal driving financial management strategies is the maximization of the financial value of an organization. These strategies evaluate financial performance, forecast future financial performance, plan capital structure and manage any other financial activities and decisions that could impact strategic financial decisions.

So, essentially, finance strategy helps set up a roadmap that companies can follow to manage the usages, availability of sources, and allocation of funds. It works to align financial management with the corporate and business objectives of an organization to ensure holistic progress.

Why financial strategies are important?

The importance of financial management strategies lies in it helping you develop a vision for your company's success. It helps you establish a set of controlling principles under which your company can enjoy optimal operations.

At a fundamental level, a business strategy is pretty much based on financial strategy. In almost all business decisions an organization's assets, cash flow, and liabilities are bound to be involved. All business strategies have to manage current business income, external financing requirements, fund procurement schedules, current cash flow position, and annual tax payments. What objectives you set for funding and how these tie into your vision is integral to developing a business strategy. Basically, creating a business strategy can be hard without a financial strategy.

Financial strategies help you check whether your goals are realistic, tackle unexpected challenges and it also helps you understand where your money is going. Besides these, other aspects of business strategies that financial strategies help include:

- Current financial position.
- Identifying any risks to your company's current financial situation.

● Identifying the need for financing to fund expansions or operations.
● Identifying and setting income goals for the foreseeable future.
● Identifying sources to look into in order to increase income.
● Highlighting the need for new relationships or partnerships needed to achieve financial objectives.
● Establishing need to hire particular skills needed to attain the financial objectives set.
● Find the best balance between spending versus saving.

Types of financial strategies

1. Dividend strategy

A financial strategy used to determine the percentage of profits that is to be distributed amongst shareholders after retaining a portion of profits as a surplus for the future investment is called the Dividend strategy. It is employed to maximize shareholders' return while at the same time generating capital necessary for future investment purposes. They aim to do this while ensuring the least cost of capital as well as risk. Dividend strategies are basically used to balance current returns and capital gains.

2. Capital structure planning

Equity capital, retained earnings, preference capital, and debt capital combined are called the capital structure of a company. Capital structure strategies are formulated for a company to balance the advantages and disadvantages or risks associated with equity, preference, and debt capital.

3. Investment planning

Investment planning or capital budgeting is the process of strategizing how to invest capital. After a company acquires capital one of the steps that come after is investing that capital. Capital investment strategies are concerned with this step and the investments they usually deal with are in the context of long-term assets.

Investment planning is the type of strategic financial management that works to establish, expand, diversify and modernize your company. It also includes disinvestment practices like selling or replacing old or outdated long-term assets.

4. Working capital planning

Last, but not least, we have capital planning strategies. Financial management strategies that help manage the need, procurement, allocation, and future of cash in your company are your working capital planning strategies. These strategies are responsible for the management of your working capital. They also help maintain the availability of adequate working capital that is needed to operate the daily and routine activities of the business.

Strategies of financial management

For your company's financial management strategies to work at their best, you need to ensure that your approach when formulating them is as effective as it can be. To do this you need to keep a few fundamental elements in mind. While these elements can be tailored to suit your organization, some of the overarching strategies that you can tailor are:

Analyze financial statements

Regular evaluation of financial statements is an important step to take when determining financial strategies. Being able to read, analyze and act on the numbers and data that your balance sheet represents can go a long way in streamlining your strategies.

Strategic financial decisions can be greatly improved if you are able to effectively utilize your financial statements. These statements help you see your company's current financial position and at the same time outline its trajectory for success or failure.

By reviewing cash flow and income statements you can analyze the generation or use of cash as well as the company's performance. This is especially useful when studied according to periodic or annual performance.

Equipped with this information you can ensure that any strategic financial planning you do is thorough and based on evidence.

Evaluate profits and losses

Closely connected to financial statements, evaluating your income statements, i.e. profits and losses, is another important step you can take in perfecting financial management strategies.

By building your profits and losses you can review the costs and benefits of your current business strategies. They help you see what's working, what's not, and what can be tweaked to see changes in these as well. They represent a historical summary of your business's performance and thus act as a barometer, a testing tool for the same.

You should ideally use your profit and loss, or income, statements to analyze revenue, cost of goods sold, gross profit, expenses, and net profit.

Create and monitor budgets

Budgeting is a skill that all managers and decision-makers in your company should be adept at. How well you create and manage your budgets will determine how well you are able to stick to plans of action that lead to your business objectives.

By isolating different elements of your teams' work you can break it down into a comprehensive deliverables list. You can then use these lists to allocate budgets, monitor them, and relocate funds when necessary.

Having a clearly outlined budget and sticking to it also means you can better track your business's performance and subsequently communicate the same to necessary stakeholders. This can then be used to inform company-wide initiatives.

Monitor debtors

Once a company has been in business for a few years it is bound to have a set of customers who become returning customers. With these individuals or entities, a certain level of trust is developed courtesy of which you provide them with credit purchase facilities.

How much money you allocate to credit lines, what is the cap you sent on credit purchases, and what strategies you adopt in recovering these debts will all impact strategic financial planning. The better your strategies are at accommodating these factors the more effective financial management will be in your company.

Update and safeguard records

Protecting finance data and ensuring privacy in business activities is key to effective financial management. By protecting data you ensure that your financial management strategies are free from external influences. If your records are not protected they are open to manipulation and also fraud. The best option you can choose to guarantee the complete security of your financial information is to adopt software that specializes in this task. You can set passwords, parameters, and checks to determine who gets access to and how much information is made available to who.

Track your expenses in real-time

Proactive tracking of expenses ensures that you have complete visibility over all financial activities in your company. In modern business settings, you need to be able to view, manage and correct your books as fast as possible.

Empowering Operating Personal:

Empowering employees means giving your team members permission to take action and make decisions within your organization. It also means there is trust and understanding in place to ensure these actions are in line with company goals.

Empowering employees is important for growing a sustainable business. While many companies may grow ground-up from the hard work and dedication of one or two entrepreneurs, true growth is the product of multiple people working together. “Multiplying” yourself (as opposed to a strict leader-follower mindset) multiplies your organization’s strength and capabilities.

How do you empower employees?

Empowering employees is a culture. It takes an increase in trust, clear communication, and strategic delegation. To empower employees, consider the following # steps:

1. Delegate to develop

Delegating to take drudge work off your plate is often shortsighted and misses an opportunity to strengthen and empower your team. Instead, delegate with the intent to grow and develop the capabilities and responsibilities of your employees.

2. Set clear expectations

Define the boundaries within which your employee is free to act. By setting clear expectations (but not micromanaging them), you’re giving your employees permission to take make decisions while ensuring the decisions are in line with company goals.

3. Give employees autonomy over assignments

It’s okay if an employee doesn’t get from point A to point B using the same means you’d use. When you delegate, accept that this may mean your employee may complete the task differently than you would. Relinquish control, refrain from micromanaging, and accept that your way may not be the only (or best) way to complete a project.

4. Provide necessary resources

Many leaders complain that when they first start implementing employee empowerment practices in their organizations, they still get employees coming to their offices and expecting their problems to be magically resolved for them. Instead, offer tools, resources, and to be a sounding board for ideas.

5. Give constructive feedback

When debriefing on a project, be thoughtful and specific about the feedback you provide. Telling someone they did a "good job" doesn't give them any direction for what to continue doing in the future. Be specific about the actions or attitudes you'd like to see repeated and the impact it had on others.

6. Accept ideas and input

When possible, include your employees in decision-making and goal-setting. If they can't be involved in these preliminary processes, be open to hearing their ideas and input. Not only can being receptive to new ideas help empower your employees, it can also open up your organization to great new ideas.

7. Communicate the vision of the organization

It's becoming more and more important for employees to feel like they are contributing to building something as opposed to just another cog in the wheel. By clearly communicating the vision of the organization and how a team and its individuals contribute to that vision, you are empowering your employees with the knowledge that their contribution is making a difference.

8. Recognize employees for hard work

Showing appreciation for work well done makes it more likely that a person will do it again (and do it even better). It will also encourage them to continue to be innovative, take action, and to solve problems. Don't be stingy with your thank you's.

Allocation of Resources:

Resource allocation is the process of assigning and managing assets in a manner that supports an organization's strategic planning goals.

Resource allocation includes managing tangible assets such as hardware to make the best use of softer assets such as human capital. Resource allocation involves balancing competing needs and priorities, and determining the best course of action to maximize the use of limited resources and get the best return on investment.

In practicing resource allocation, organizations must first establish their desired goal, such as increased revenue, improved productivity or better brand recognition. They then must assess what resources will be needed to reach that goal.

While resource allocation often refers to activities related to project management, the term is also used in other contexts, including the following:

- economics, where it is a component of public finance; and
- computer storage, where it describes how operating systems manage data storage resources.

How to allocate resources on a project

The following five steps are important when allocating available resources as part of project management:

1. **Plan.** Project managers should first map out the project. They must divide the project into separate tasks and identify what skills are needed. They also must examine any constraints, such as the deadlines and budget. Project managers should also identify potential team members based on their skills and availability. They also need to determine task dependencies that might affect completion of specific steps. Planning also requires the development of a work breakdown structure, which matches each task to start and end dates and establishes a budget.
2. **Gauge availability.** Sick time, vacation time, holidays and other projects all impact a team's availability. During this stage, managers must establish lines of communication with team members so resource allocation and shifts and changes in the project or its schedule can be communicated. Open communication is critical to enable cross-collaboration among teams and optimize the use of shared resources. It also helps identify team members that have conflicting commitments or are balancing multiple projects that might slow down the project.

3. **Schedule.** Managers assign tasks and develop project timelines. They use resource management tools to automate and streamline this process and improve workload management. Effectively managing workloads can prevent burnout, identify opportunities to enhance team members' skills and indicate additional staff is needed. Resource scheduling involves blocking time for priority tasks and designating the priority level of each task.
4. **Track.** Once the project begins, it's important to track the performance of team members and monitor how effectively they complete tasks. Resource allocations should be adjusted to maximize efficiency and take advantage of new opportunities that arise. Business intelligence tools and project management software and tools facilitate the collection of realtime data needed to ensure the team remains on the project's schedule.
5. **Evaluate.** The success of the project is evaluated based on metrics that show how well it met expectations. Data from these findings can be used to refine resource allocation strategies in new projects.

Benefits of resource allocation

Effective resource allocation offers the following benefits:

- **Collaboration.** Resource allocation helps facilitate communication among teams and fosters collaboration. A resource allocation strategy allows communication with stakeholders, to keep them informed about progress toward strategic goals.
- **Efficiency.** Resource availability helps teams complete a project on time and use only the resources needed to achieve each goal. A solid resource allocation strategy helps project teams avoid mistakes related to conflicting dependencies.
- **Team morale.** Resource allocation improves employee engagement and team member morale. Resource allocation allows a more equitable distribution of responsibilities so that no team member is overworked. This approach can improve productivity because as team members' well-being is improved, they have the bandwidth and agency to take on additional work.
- **Cost reduction.** Effective resource allocation can result in significant cost savings because it increases efficiency, reduces waste and avoids costly mistakes, setbacks and delays.

Challenges of resource allocation

There also are challenges associated with the resource allocation process, including the following:

- **Resource scarcity.** Sometimes there are not enough resources available to achieve the tasks laid out in the project plan. Some resources may only be partially available throughout the project. In other cases, project resources may be available at the beginning of a project but not later on as it progresses.
- **Skill shortages.** If specific skills are in short supply, that can have a negative effect on the project. The additional training or hiring required can take time that may not be built into the project's schedule.
- **Resource overallocation.** Too many resources can also negatively affect efficiency and productivity. If more resources are allocated to a task than needed, employees may get overwhelmed trying to make use of them all.
- **Visibility.** Poor visibility into the details of how a project is progressing can result in project managers not allocating the right resources where they're needed. A lack of visibility can also negatively affect a business's ability to forecast future project requirements, leading to future misallocation of resources. The lack of a centralized resource planning tool is often the cause of poor visibility.
- **Miscommunication.** Poor communication among team members or teams can cause a range of problems. For example, a common point of miscommunication is between the sales and delivery team. If the team delivering the product to the customer isn't informed of all project requirements, it may not be able to ensure resources are properly allocated and the deliverables adhere to customer expectations.
- **Outdated technology.** Legacy technology, such as a spreadsheet application, may not provide adequate real-time data for tracking This can lead to missed opportunities or overallocation of resources as project requirements shift.
- **Scope creep.** Project scope can change at any point in the project lifecycle and lead to fluctuating resource demands. Scope creep is a change to the original goals or tasks of a project and can result in continuous changes or unsustainable growth in the project's scope. If

requirements are continually added, resources may be exhausted and team members can be negatively affected.

Managing Resource Conflict:

1. Be aware of conflict

Keep your eyes and ears open for changes in workplace climate and any early signs of developing conflict. Don't turn a blind eye to symptoms of hidden conflict. Conflict can only be safely ignored if it is momentary and unlikely to escalate. Ignoring conflict may be an easy option initially, but in most cases, it does not help and will create a more difficult situation to resolve later.

2. Take a considerate and rational approach to conflict

One of the best practices in conflict management plan is to stay calm and ensure that you are able to take a considered, rational and impartial approach to the situation. If you are personally involved, you may need to ask someone else to handle the issue. Avoid the temptation to adopt the instinctive reactions of 'fight or flight'. **3. Investigate the situation**

Take time to find out what has happened, who is involved, how people are feeling, and what the issues are. Don't prejudge the issue or jump to conclusions. Speak individually and confidentially to those involved and listen actively to make sure you understand their point of view.

4. Decide how to tackle the conflict

Having examined the situation, decide what kind of action is appropriate to tackle the conflict.

Ask yourself:

- Is this a serious matter or relatively trivial? Could it become serious?
- Should organisational discipline or grievance procedures be invoked?
- Is the matter within your sphere of authority or should it be referred to a superior?
- Are any legal issues involved? In situations where the law comes into play it is advisable to consult with your HR department before you take any action.
- Would the participation of a trade union representative be appropriate?
- Would it be best to make a ruling on the issue yourself, or would an informal gathering to discuss the problem be helpful? Will the parties accept your ruling?
- Is time needed for heated emotions to subside before moving forward?

The answers to these questions will help you decide what action to take. For all sorts of reasons, there may be situations where formal processes, including legal proceedings, may need to be invoked – if in doubt, consult your HR department. However, many issues can be resolved without resorting to costly legal cases. In most cases a mutually agreed mediated solution will be more effective than an imposed solution which may leave all parties dissatisfied.

5. Let everyone have their say

If you are able to get the parties together, you may be able to reach a satisfactory solution. Take a positive, friendly and assertive approach to the meeting and set ground rules for the session.

Assertive behaviour will encourage the parties to express their thoughts honestly and openly, understand the causes of conflict and find solutions.

6. Identify options and agree on a way forward

This is the most important and often the most difficult part of the conflict management plan. The following steps may be helpful in reaching agreement:

- Create an atmosphere where all parties are able to speak openly and honestly.
- Acknowledge emotional issues as these are often at the heart of it and thus will need to be resolved.
- Consider carefully the extent to which you need to control the meeting and intervene in the discussion.
- Explore the reasons for the disagreement.
- Identify any misconceptions or misunderstandings which are blocking progress.
- Encourage the parties to examine their own positions and identify any common ground with others.

7. Implement what has been agreed

It is important to ensure that everyone is clear about what has been decided and takes personal responsibility for any actions which have been agreed. In some cases, a written agreement may be appropriate. Be careful here if there is any embarrassment of any of the parties involved, for example, if it involves public apologies.

8. Evaluate how things are going

Don't assume that the issue has been finally resolved. Continue to keep an eye on the situation and evaluate how well the solution is working. If the problem reappears it may be necessary to take further action.

9. Consider preventative strategies for the future

Think about the lessons that can be learned from the conflict and the way it was handled. What could be done better next time? How could you develop your conflict management skills? You may wish to consider training or other forms of professional development on influencing, mediation or dispute resolution techniques for yourself or a colleague.

Structure and Strategy:

Structural implementation of strategy involves designing of organisation structure and interlinking various units and sub units of the organisation created as a result of the organisation structure. Organisation structure is the pattern in which the various parts of the organisation are interrelated or interconnected. Thus, it involves such issues as to how the work of the organisation will be divided and .assigned among various positions, groups, departments, divisions, etc. and the coordination, necessary to accomplish organisational objectives: will be achieved. Thus, there are two aspects of organisational design: differentiation and integration. Differentiation refers to 'the difference in cognitive and emotional orientations among managers in different functional departments' and integration refers to 'the quality of the state of collaboration that are required to achieve unity of efforts in the organization. Therefore, the organisation must emphasize on both the aspects: it must design organisation structure and provide systems for interaction and coordination among organization's parts and members.

There is close relationship between an organization's strategy and its structure. The understanding of this relationship is important so that in implementing the strategy, the organisation structure is designed according to the needs of the strategy. The relationship between strategy and structure can be thought in terms of utilizing structure -for strategy implementation because structure is a means to an end and not an end in itself. The master appropriate end is the objectives for which the organisation exists in the first place, as revealed by its strategy. Without coordination between strategy and structure, the most likely outcomes are confusion, misdirection, and splintered efforts within the organisation. Research evidence also suggests that structure follows strategy. According Chandler, changes in organizations strategy bring about new administrate problems which, in turn, require a new refashioned structure if the new strategy is to be successfully implemented. Chandler has found structure tends to follow the growth strategy of the organisation but not until inefficiency and internal operating problems provoke a structural adjustment. Thus organisational actions proceed in a particular sequence: new strategy creation, emergence of new administrative problems, a decline in portability and performance, a shift to a more appropriate organisation structure, then recovery to improved strategy execution and more profit and performance. However, this sequence can be broken if suitable organisation structure is conceived at the starting point of strategy implementation.

The relationship between strategy and structure, however, should not be viewed merely as one-way traffic, rather it should be viewed as two-way traffic. On the one hand, the structure should be according to the need the strategy so that it is implemented effectively. On the other hand, structure of the organisation may play a critical role in influencing its choice of strategy. Recognition of this two-way interaction between strategy and structure is crucial for a complete understanding of the criteria which underlie structural design. It becomes obvious that a top management perspective in structural design is necessary when one understands that such a design is a result of overall strategy, and the success of the strategy is also dependent on that design. The interdependence of structure with strategy can be summarized by quoting Cannon who has derived from his long experience of his consulting firms in devising strategies and organizing companies. He observes:

"The experience of McKinsey supports the view that neither strategy nor structure can be determined independently of the other. If structure cannot stand alone without strategy, it is equally true that strategy can rarely succeed without an appropriate structure. In almost every kind of largescale enterprise, examples can be found where well-conceived strategic plans were thwarted by an organization structure that delayed the execution of the plans or gave priority to wrong set of considerations good structure is inseparably linked to strategy…," **improving effectiveness of traditional organizational structure**

Changes in customer needs, business communication and the increasing amount of government regulation are causing many businesses to abandon the traditional organizational structure, according to online business resource All Business. Where the structure used to consist of a board of directors, executive staff, managerial team and then subordinate employees, changes in the business climate have necessitated the development of strategies to overcome the traditional organizational structures.

Employee Empowerment

Through a combined effort of increased training and a clear definition of employee duties, some companies are beginning to allow employees to make their own daily decisions and dictate how their jobs are performed. According to online management resource Thinking Managers, this is called employee empowerment. Empowering employees does not eliminate the managerial level in a company; it does depart from the traditional organizational structure by altering the responsibilities of the managerial staff. Managers can focus more on the future of the company than on the daily operations. Employees become their own centralized work unit--one that is responsible for its own productivity and the resolution of daily issues.

Vendor Competition

One of the aspects of traditional organizational structure is loyalty to particular vendors through either contractual agreements or verbal understandings that keep business flowing to a particular vendor. According to the National Partnership for Reinventing Government, companies can benefit from a change in this common idea and create vendor competition. Avoid signing long-term contracts with vendors, and put your business up for bid every quarter to make sure you are getting the best possible arrangement. Instruct your purchasing department to entertain proposals for new vendors, and include qualified new vendors in your quarterly bidding process. Vendor competition will allow you to make sure you are getting the best possible pricing, and also prevent current vendors from getting complacent. Vendors will no longer be able to lean on the buying relationship to help justify customer service deficiencies or problems in shipping product. When vendors know there is quarterly competition for your business, they will be compelled to provide the highest level of service possible at all times.

Decentralized Business Units

All Business suggests one of the ways to shift from traditional organizational structure is to create autonomous business units within your company as opposed to relying on a centralized method of management. This is similar to employee empowerment, but also differs in that each department is run as a business unit with its own budget, productivity goals and management structure. There is no real central manager, and all company decisions are made by a consensus of departmental managers. There may be a central chairperson who owns the company; but in a decentralized business structure, that person cannot make decisions without the consent of the other company managers. This is different from the board of directors concept because directors are normally not involved in the everyday management of the company. A decentralized management structure is run by the group of managers who work on the daily issues and tasks that keep the company moving forward.

Agile Virtual Organization:

A virtual organization is an operation where all members of the company work in different geographic locations while appearing as a single unit. It uses computers, software, phones and other technology to work together and converse in real-time, despite any physical distance. It's important for virtual organizations to establish detailed procedures that ensure consistency in employee performance and provide employees with the ample resources and support they need to conduct their responsibilities in a remote work environment.

Components of a virtual organization

Each virtual organization is unique, although they often include many of the same components for optimal operations, like a remote workforce and company-specific technology networks. Other components of a virtual organization may include:

- A flat organization structure with less middle management
- Virtual teams
- Loose organizational structure
- Boundaries and expectations
- Power flexibility
- Informal communication

Benefits of a virtual organization

Here are some benefits of virtual organizations:

Lower overhead costs

Virtual organizations often have lower overhead costs because they don't need to pay monthly fees for renting office spaces. Companies also save money by not having to pay supplemental fees involved with renting a space, like utilities and maintenance costs. Some organizations also ask employees to use their own equipment, such as personal computers and web cameras, reducing equipment costs.

Improved employee satisfaction

Many virtual organizations have higher levels of employee satisfaction, presumably from the increased freedom employees have to work in their own space. Some employees feel less stressed, and the flexibility of working remotely often reduces absences. This helps improve overall company morale and can encourage individuals to present quality work on behalf of their employer.

Improved efficiency

Virtual organizations don't have the same distractions as traditional office settings, such as the urge to chat with people surrounding you. With fewer distractions, efficiency may improve, resulting in higher levels of productivity and better-quality work. Employees can establish their own work environment, allowing them to determine what helps them best achieve more work in less time.

Larger hiring market

Virtual organizations can hire employees from anywhere in the world. This removes geographic restrictions, expanding the talent pool for hiring and allowing companies to hire individuals with varying backgrounds and perspectives. This allows organizations to find, recruit and hire the best talent without physical locations getting in the way.

Flexible hours

Virtual organizations often have flexible hours, with many employers allow employees to determine their own schedules within certain parameters. For example, some companies establish core hours, such as 10 a.m. to 2 p.m. within a specific time zone each day, and allow employees to work whenever they want outside of those hours. This level of flexibility often allows organizations to accommodate a variety of different employees and their lifestyles.

Improved employee retention

Many virtual organizations have happy employees. Satisfied employees are often more engaged at work and less likely to leave the company. This is especially true if the organization also offers excellent benefits and competitive salaries besides their virtual organization setup.

Access to new markets

Virtual organizations often have access to a wide range of markets. These organizations do not have geographic restrictions, allowing them to work with customers who may have been inaccessible. This is especially appealing for remote sales professionals who can access consumer markets from all corners of the world without physical distance or travel costs getting in the way.

Challenges of a virtual organization

Here are some challenges you may experience while working for a virtual organization, along with tips for overcoming them:

Lack of camaraderie

Virtual organizations may experience a lack of camaraderie among teams. Employees work isolated from each other, and they rarely meet face-to-face. There are few opportunities for casual conversations to help build relationships.

Difficulty developing company culture

Virtual organizations may struggle to develop and implement a company culture. There may be a lack of cohesiveness among the team, as flexible schedules can lead to employees feeling disconnected from each other.

Increased importance of communication

Working in a virtual organization enhances the importance of good communication. Employees cannot share information in passing like they would in a normal office setting. It may be difficult for employees to meet from varied schedules.

Potential compliance and security issues

Virtual organizations may present some compliance or security issues. These organizations require employees to transport a lot of data across multiple networks, some of which may involve connections that are not secure. While this may be a risk for an organization, this may be a higher risk for companies dealing with sensitive information in industries like healthcare and finance.

Modular Organization:

A modular organization is a structure in which employees are organized into self-contained, interchangeable parts. In other words, it's a system in which each individual has a specific role and can be easily reallocated to where resources are required within the organization. Informally, this is also referred to as a plug-and-play design.

This type of organizational structure is becoming increasingly popular as businesses strive for more flexibility and efficiency. Breaking down the company into smaller, easily manageable parts makes it easier to adapt to rapidly changing markets and needs, as well as to move and allocate resources across organizational priorities.

What is an example of a modular organization?

The structure of the majority of software businesses is a well-known and common illustration of a modular organization. In a company similarly structured, one unit is responsible for developing software, another for providing customer support, and so on. Because of this, each team is able to have more specific knowledge and skill, which ultimately results in the teams being more productive and successful.

In this model, teams are put together for specific projects and are allocated from these units to participate. Another example is organizations that have a flexible resource pool which is usually managed through a Project or Resource Management Office (PMO or RMO). A popular trend is to also have a small unit of modular resource operate from the "Office of the CEO/COO" with a key focus on being deployed on strategic initiatives.

When organizations change, this type of organizational design is easier to scale or wind down. It also allows more flexibility than a traditional functional hierarchical organization. This helps to contain costs as well as enable the organization to quickly move resources between projects.

Advantages of a modular structure/organization

There are several advantages to a modular organization structure:

- **It allows for more flexibility and adaptability.** With a modular organization, you can easily change the way different parts of the company work without having to make major changes to the entire company.
- **Makes it simpler to scale up or down depending on what is required.** If your company is expanding at a quick rate, you have the ability to add additional modules as required. In the event that business is sluggish, you have the option of reducing the number of modules without having to dismiss staff or shut down areas of the organization.
- **The flexibility afforded by a modular design fosters inventiveness and creativity.** You can encourage greater creativity and innovation in the workplace by empowering the various divisions of the firm to do their own research and come up with fresh concepts on their own. This has the potential to contribute to increasing levels of production and earnings.
- **Build institutional knowledge:** A modular design lends itself towards building institutional knowledge as employees move across various areas of the business and get to know and understand how the interrelated parts function. Often this allows for new ideas or greater alignment to emerge, which leads to better performance.

Disadvantages of a modular structure/organization

The use of a modular organizational system comes with a few significant drawbacks to consider.

- **It may become challenging to manage a modular system as it expands and changes over time.** In case the modules are not well maintained, they have the potential to become disorganized and difficult to control.
- **Developing and preserving standard operating procedures across a variety of modules may be a tough endeavor.** This might result in inconsistencies in the way work is completed, which in turn reduces the overall efficiency of the business.
- **The use of a modular structure might be quite intimidating for individuals who are just starting out with the company.** They could have a hard time comprehending how the system operates and figuring out where they are in relation to the bigger picture.
- **Modular systems require robust governance and management to be effective.** If not managed well, modular systems can become slow, costly, and ineffective.

Towards Boundary less Structure:

A boundaryless organization is an organization that actively removes boundaries to innovation, meaning it has less hierarchy and functional separation and is more integrated. This allows for a free flow of information, ideas, and innovations.

A boundaryless organization has four dimensions. Reducing boundaries for each dimension is one of the key characteristics of a boundaryless organization.

- **Vertical.** This is the traditional, hierarchical structure. Reducing management layers allows ideas to travel freely through the organization, and new initiatives can be implemented without managers stifling potential innovation. The aim here is to create a "healthy hierarchy".
- **Horizontal.** This is the functional separation, including departments and other silos. By removing horizontal boundaries, ideas can easily be shared and implemented crossfunctionally.
- **External.** This is separation within the value chain. By working closely with customers and suppliers, implementing innovations will be more effective.
- **Geographical.** This refers to the separation between countries or geographies and is a specific form of horizontal separation. By integrating different geographies, innovations will spread more easily and can be implemented faster.

What is a boundaryless organization example?

Jack Welch, CEO of General Electric, pioneered the boundaryless organization in the 1990s. According to Welch, a successful organization is one in which the best ideas are discovered and exploited. Boundaries - whether between hierarchical levels, functions, geographies, or external boundaries - stifle this innovation.

According to GE's 1994 annual report, "Boundaryless behavior has become the 'right' behavior at GE, and aligned with this behavior is a rewards system that recognizes the adapter or implementer of an idea as much as its originator. Creating this open, sharing climate magnifies the enormous and unique advantage of a multibusiness GE, as our wide diversity of service and industrial businesses exchange an endless stream of new ideas and best practices".

Jack Welch believed that rigid, hierarchical organizations did not have the right structure to foster innovation in a fast-moving and ever-changing world. To achieve this, Welch launched Work-Out, a program aimed at removing boundaries at the company.

Characteristics of a boundaryless organization

Boundaryless organizations remove obstacles to innovation and promote the generation and implementation of new ideas. The goal is to permeate boundaries so that ideas can travel through the organization with little hindrance.

Boundaryless organizations have more agility, flexibility, and a higher degree of integration. This means that the organization can better marshall resources into new products and services. The result is more innovation potential.

What are the advantages of boundaryless organizations?

Advantages of a boundaryless organization for the employee include:

- increased autonomy
- increased engagement
- and higher job satisfaction

Advantages for the organization are increased performance, agility, flexibility, and innovation potential.

What are the disadvantages of boundaryless organizations?

The main disadvantage of a boundaryless organization is the difficulty of implementing it in certain industries. Some industries, like the biochemical industry, are highly regulated and require standardized processes which don't always allow for highly permeated boundaries.

Additionally, a boundaryless organization may not work for all employees. Some employees prefer structure over freedom, and operating in an environment with fewer boundaries may not be easy for them.

Unit-5

Leadership and Culture

Effective leadership is one of the greatest fundamentals to building great organisational cultures. A leader can be anyone who has influence or authority, regardless of title, and leaders set the tone for organisational culture.

Leaders can reinforce values while simultaneously holding people accountable. This influence over others can be either positive or negative based on the leadership style and execution of strategy, but both effective and ineffective leadership will influence and build organisational culture in the workplace. SHRM advises leaders to be deliberate in creating a culture where employees can thrive. Failing to build a strong culture is detrimental to employees and the bottom line.

Why Is organisational Culture Important?

When the above aspects of culture are instilled by a leader in a workplace, the workforce becomes more engaged. Some benefits of higher employee engagement include:

- **Higher quality and safety.** Engaged employees are committed to meeting a standard of quality and excellence. Because of this, they make smarter decisions, pay closer attention to detail, and approach their work with thoughtfulness. These same actions also go far in promoting and maintaining workplace safety.
- **Better work/life balance.** When a company encourages and supports a healthier balance for employees, they don't just work harder, but smarter. Being able to better juggle these two important parts of life makes way for motivation and efficiency to take hold. It also decreases absenteeism and increases loyalty to the organisation.
- **Excellent customer service.** Employees who are valued end up valuing their customers, clients, team members, and everyone else they come into contact with each day. When more care is taken to answer questions, address concerns, solve problems, and generally be of help to others, soaring sales are sure to follow.
- **Greater retention rates.** All of these benefits aren't only enjoyed by the employer. Employees of companies that cultivate such a culture are apt to stay put for the long term. Why? There's simply no reason to leave when you're feeling appreciated, heard, and allowed to advance.
- **Growing profitability.** With an upward trajectory of engagement that fuels these benefits comes a general growth in profit, due to impressive productivity delivered from every member of the workforce.

What contributes to a strong organisational culture?

A positive culture should be the foundation of an organisation. Meaningful work, appreciation, wellbeing, leadership, and connection are all aspects that contribute to your culture.

1) Meaningful Work

Employees spending nearly 1/3 of their lives at work should feel a deep and personal connection with the work they do daily. Hopefully, they also have a sense of opportunity and motivation to be the best they can be in their role.Having a vision within their role allows people to develop and feel more connected to the work they do. Seeing new and additional opportunities at work helps employees stay engaged and contribute in an impactful way.

2) Appreciation

Don’t let top talent leave because of poor company culture. Invest in your employees by celebrating career milestones and achievements. Personal recognition makes employees feel valued by peers, friends, leaders, and family members.

3) Wellbeing

Wellbeing is more than just physical fitness and healthy eating habits. It also encompasses emotional and social wellness that can be felt when people are part of a strong support system. While your organisational culture should reinforce a healthy lifestyle, it should also foster a healthy sense of community.

4) Connection

Our research shows there has been an increase in isolation and burnout at work in recent years. Interactions have been replaced by social media tools that were created to connect us. However, employees are still not as connected to their organisation or sharing as many experiences collectively as in times past. This lack of connection inhibits collaboration and can lead to a decreased sense of belonging and purpose at work.

5) Leadership

Leadership influences company culture heavily. Leaders can reinforce organisational values by helping their people grow and develop through goal setting, opportunities, and recognition. Elevate employees through frequent one-on-ones and regular two-way feedback. When employees have open and ongoing dialogue about their work, their trust in their leader strengthens.

What is Leadership culture?

Leadership culture is important to building organisational culture. Leadership culture is how leaders interact with one another and their team members. It’s the way leaders operate, communicate, and make decisions. And it’s about the everyday working environment: their behaviors, interactions, beliefs, and values.

Is the way leadership influences culture contributing to your desired culture? Are the ways they hire people, create high-performance teams, execute business strategy, and engage their employees for the long term helping you build a strong corporate culture?

Leaders must understand their role in shaping an organisation’s culture, and organisations must make intentional efforts to help develop their leaders. Effective leadership development goes beyond training classes, adding on to your organisational structure, or even determining the right cultural fit when hiring new leaders. The best way to ensure your leadership culture is positively contributing to your organisational culture is to create modern leaders.

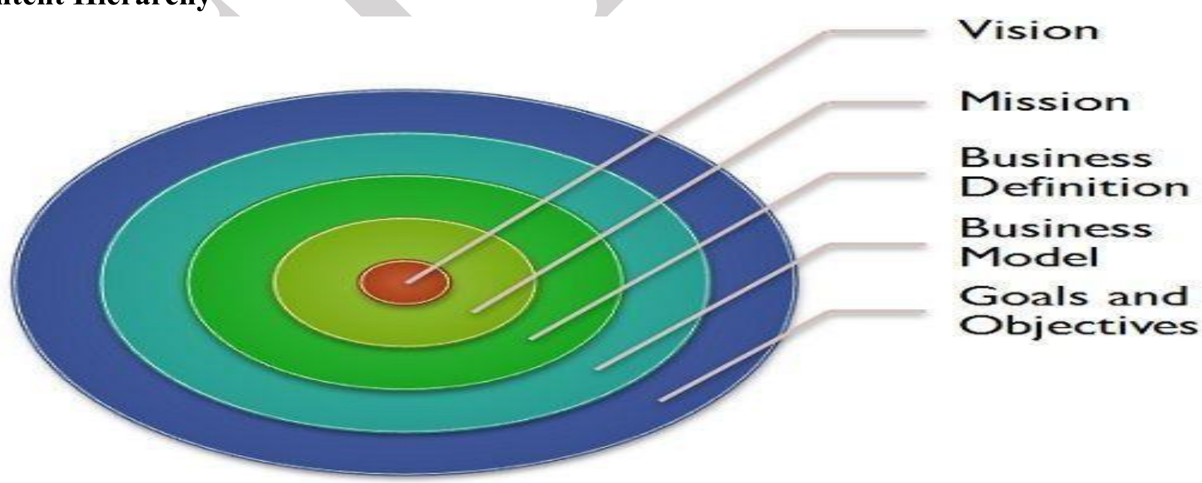
7 Ways Leaders Can Focus on Culture

Leaders significantly affect an organisation’s culture, so doing a good job at inspiring others should be a big focus of every leadership strategy. This can be done a multitude of ways, but here are seven that stand out:

1. **Be a role model.** Those at the top must exemplify the culture they preach—no exceptions. If trust is ever breached, a solid apology (and, depending on the situation, perhaps even consequences) better follow in a timely manner.

2. **Observe for insights.** Sometimes just sitting back for a bit and soaking in what's happening around the office will be quite telling. Take in subtle details about the work environment and employee behavior. You might be surprised by how much can be learned when there is a moment to step back.
3. **Provide an open communication platform.** When anyone at any level has access to participate in Q&A sessions with senior leaders, answers can be given on the spot. This helps employees be heard, but it's also a good way to reinforce the company's goals and values.
4. **Take meaningful action on feedback.** Asking for feedback is only as useful as the action that follows. Feigning a listening ear won't go unnoticed.
5. **Empower employees.** A culture of autonomy allows for more problem solving and greater innovation. When employees are trusted to contribute (with accountability), they will outperform everyone's expectations.
6. **Remind workers that failing isn't fatal.** Failure is inevitable, no matter who you are. It just means that chances were taken and growth is occurring. Don't punish people for trying, but encourage them to learn from what went wrong and make improvements the next time around.
7. **Recognise a job well done.** Employees who are openly shown appreciation at work are happier and more productive. When they know their contribution matters, that what they do is meaningful, and that their superiors take the time to express thanks, employees are more loyal to their team and the company as a whole. **<u>Strategic Intent:</u>**

Strategic Intent can be understood as the philosophical base of the strategic management process. It implies the purpose, which an organization endeavor of achieving. It is a statement, that provides a perspective of the means, which will lead the organization, reach the vision in the long run. Strategic intent gives an idea of what the organization desires to attain in future. It answers the question what the organization strives or stands for? It indicates the long-term market position, which the organization desires to create or occupy and the opportunity for exploring new possibilities. **Strategic Intent Hierarchy**



1. **Vision**: Vision implies the blueprint of the company's future position. It describes where the organization wants to land. It is the dream of the business and inspiration, base for the planning

process. It depicts the company's aspirations for the business and provides a peep of what the organization would like to become in future. Every single component of the organization is required to follow its vision.

2. **Mission**: Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the business. It is designed to help potential shareholders and investors understand the purpose of the company. A mission statement helps to identify, 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and business makeup.
3. **Business Definition**: It seeks to explain the business undertaken by the firm, with respect to customer needs, target audience, and alternative technologies. With the help of business definition, one can ascertain the strategic business choices. The corporate restructuring also depends upon the business definition.
4. **Business Model**: Business model, as the name implies is a strategy for the effective operation of the business, ascertaining sources of income, desired customer base, and financing details. Rival firms, operating in the same industry relies on the different business model due to their strategic choice.
5. **Goals and Objectives**: These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable actions, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan, over the particular period.

The vision, mission, business definition, and business model explains the philosophy of business but the goals and objectives are established with the purpose of achieving them.

Strategic Intent is extremely important for the future growth and success of the enterprise, irrespective of its size and nature.

Shaping Organizational Culture:

Organizational culture has become the ultimate buzzword in recent years. With almost every company trying to improve their culture, it seems to be one of those terms that is often used and less often understood. What is it? And how does it affect you as an employer?

Organizational culture, at its simplest, is how things are done at the company. This encompasses your missions and values, what level of work-life balance is provided, and whether teamwork or autonomy is encouraged. It also includes factors that can impact the day-to-day satisfaction of your staff, from the office layout to how fast-paced the environment is.

In short, culture is the backbone of an organization. And guess what? Leadership can make or break it. According to our 2019 Hiring Outlook, 88% of working professionals feel that the actions of executive leadership affect the overall company culture at their organization. This means that the choices leaders make, their communication style, and how they handle success and failures can have a positive or negative ripple effect on employee engagement and performance. If employees don't feel a strong connection to the company culture, they will find an organization that they are a better fit for. Keep in mind that developing a strong organizational culture can not only help you retain your best employees, but also cultivates a good reputation that will attract new talent. As a leader, if you think your culture has room for improvement, here are 5 simple ways to create a better experience for your team:

Participate

Leaders who want their team to commit to the culture, need to commit as well. This means being present at events, getting excited about new services or product launches, and connecting with staff. In order for these efforts to be effective, however, you need to be consistent. **Walk the walk**

To consistently reinforce the company culture and values, leaders must exemplify the qualities they expect of their staff and model the behaviors they want practiced. There will be greater team buy-in when leadership is engaged with the company's objectives and values, which will help bring employees together and unite toward a common goal. **Recognize hard work**

It's all too easy to overlook the power of a thank you. To show that you are paying attention, however, it's important to recognize your team's accomplishments. Whether this comes in the form of a promotion or a company-wide shout out, creating a feedback-rich environment is a great way to get your employees excited about their impact and eager to do more. **Be transparent**

All employees—regardless of title or tenure—should have the opportunity to be part of the decisionmaking process. Rather than treating employees as cogs in a machine, leadership should make the effort to be more forthcoming with new initiatives, listen to employee feedback, and encourage collaboration across departments. **Create traditions**

Give your employees opportunities to get to know one another away from a formal work setting and revel in their success. Planning events that occur regularly, like an annual holiday celebration or a quarterly community service event, will not only build trust and relationships among your employees, but also help them feel more connected to the company.

Role of Leader in Organizational Culture:

Every employee impacts an organization's direction, but leadership has by far the largest and most direct effect on company culture, which revolves around employee engagement, environment, atmosphere and the success of the company and its clients.

Leadership affects the confidence of the staff and whether they see mistakes as opportunities for learning or failures that damage the self-worth of the employee. Leadership cultivates the foundation of culture to empower employees to achieve the company mission and realize how vital each of their contributions is to furthering those goals.Your behaviors at work, your communication style and how you handle wins and setbacks all affect company culture. You can't delegate creating the culture your employees experience. If you want to reflect particular values, demonstrate those values in your actions. The most successful leaders know how to combine qualities: 13 percent of leaders focus on the person behind the data — the leader drives results and remains personable, and this boosts employee engagement.

The Leader Drives a Thirst for Continuous Learning

No matter if entry-level or senior-level, all employees have something to teach one another. Leaders hold in-depth knowledge of how the engine of their company works, learning about each employee as more than a cog in the machine. The leader expresses and demonstrates an interest in employee growth.

Experiential learning boosts retention scores by 90 percent and embodying the concept that mistakes provide opportunities for education and innovation inspires employees to develop existing and new skills. The much-desired "fast-paced" culture derives from a thirst to learn and explore, not keep up, which creates a natural atmosphere of collaboration and creativity aligned with fun and performance.

Leaders Embody the Change They Want to See

Leaders have a responsibility to demonstrate the beliefs of the company and reinforce behaviors that reflect those values. "Be the change you want to see" serves as a powerful motto as a CEO. You know you don't get a break now that you finally earned your role at the top. If anything, you have to work harder and stay in the trenches to remain relevant, but you also need to diversify your efforts and research to innovate for future success.

The Leader Focuses on Social Good for Employees and Clients

The drive to continuously learn comes in handy when you must resolve a vital issue for a client. Sometimes, the best resolutions occur as happy surprises in the simplest of packages. The best business strategies consider the needs of each client from various points of view and ensure your employees are on board to follow the client journey.

Ultimately, the successful leader focuses on the social good of both employee and client. This approach transforms a stagnant leader into an inspirational one who solves issues creatively while measuring the larger impact of the company's services and products. Leaders place their attention on the deeper needs and desires of humanity which drive what supply and demand truly are in life and business. Technology connects people increasingly around the world which places bigger social responsibilities on companies, and leaders recognize that fact.

Leaders Care About Employee Well-Being

How does your company show it cares about all its employees? Dividing the professional from the person no longer applies in modern work culture. While maintaining a professional persona matters, an employee's well-being directly impacts how they perform and engage at work.

Gallup found that employees who thrive in five particular core elements of well-being are 81 percent less likely to quit and find a new job, saving their company money on healthcare when more than physical needs are met. Work attendance increases. Customer ratings go up. Problems get solved more effectively and quickly, and employees adapt more swiftly to change. Those five aspects of well-being include physical, social, community, financial and purpose.

Many employers offer a gym membership, but many companies don't provide much else in the way of well-being initiatives. Though 80 percent of employers offer wellness information and resources, leadership struggles with the "how" aspect of wellness initiatives. Employers can meet their staff's needs by providing more flexibility, investing in professional development, encouraging socialization and building better leave policies than the government requires, for example.

Additionally, leadership shifts and every leader influences the changing work culture, which can easily go from good to bad or from bad to worse. Leaders must honor those who came before if the engine runs well, but change is inevitable — employees and leaders all play a part. When employees feel engaged in a dynamic and caring work culture, their performance, pride and loyalty skyrocket the company and its clients to success.

<u>Strategic Evaluation:</u>

Strategy Evaluation is as significant as strategy formulation because it throws light on the efficiency and effectiveness of the comprehensive plans in achieving the desired results.

The managers can also assess the appropriateness of the current strategy in todays dynamic world with socio-economic, political and technological innovations. Strategic Evaluation is the final phase of strategic management. The significance of strategy evaluation lies in its capacity to co-ordinate the task performed by managers, groups, departments etc, through control of performance.
Strategic Evaluation is significant because of various factors such as - developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process, judging the validity of strategic choice etc.

Strategic Evaluation Process:

The process of Strategy Evaluation consists of following steps-

1. **Fixing benchmark of performance -** While fixing the benchmark, strategists encounter questions such as - what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task.
   The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation.
   The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria includes determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc.
   Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.
2. **Measurement of performance -** The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance.
   If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as managers contribution are difficult to measure.
   Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done.
   The measurement must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.
3. **Analyzing Variance -** While measuring the actual performance and comparing it with standard performance there may be variances which must be analyzed.
   The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted.
   The *positive deviation* indicates a better performance but it is quite unusual exceeding the target always. The *negative deviation* is an issue of concern because it indicates a shortfall in performance.
   Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it.

4. **Taking Corrective Action -** Once the deviation in performance is identified, it is essential to plan for a corrective action.
   If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance.
   If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered.
   Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

Corporate Governance:

Corporate Governance is a continuous process of applying the best management practices, ensuring the law is followed the way intended, and adhering to ethical standards by a firm for effective management, meeting stakeholder responsibilities, and complying with corporate social responsibilities.

It contains policies and rules to maintain a strong relationship between the owners of the company (shareholders), the Board of Directors, management, and various stakeholders like employees, customers, Government, suppliers, and the general public. It applies to all kinds of organizationsprofit or not-for-profit.

Principles of Corporate Governance

The principles of Corporate Governance are:

Accountability

Accountability means to be answerable and be obligated to take responsibility for one's actions. By doing so, two things can be ensured-

1. That the management is accountable to the Board of Directors.
2. That the Board of Directors is accountable to the shareholders of the company.

This principle gives confidence to shareholders in the business of the company that in case of any unfavourable situation, the persons responsible will be held in charge.

Fairness

Fairness gives shareholders an opportunity to voice their grievances and address any issues relating to the violation of shareholder's rights. This principle deals with the protection of shareholders' rights, treating all shareholders equally without any personal favouritism, and granting redressal for any violations of rights. **Transparency**

Providing clear information about a company's policies and practices and the decisions that affect the rights of the shareholders represents transparency. This helps to build trust and a sense of togetherness between the top management and the stakeholders. It ensures accurate and full disclosure timely on material matters like financial condition, performance, ownership. **Independence**

Independence means the ability to make decisions freely without being unduly influenced. Decisions should be made freely without having any personal interest in the company. It ensures the reduction in conflict of interest. Corporate governance suggests the appointment of independent directors and advisors so that decisions are taken responsibly without influence.

Social Responsibility

Apart from the 4 main principles, there is an additional principle of corporate governance. Company social responsibility obligates the company to be aware of social issues and take action to address them. In this way, the company creates a positive image in the industry. The first step towards Corporate Social Responsibility is to practice good Corporate Governance.

Corporate Governance in India

Candidates should have thorough knowledge about Corporate Governance in India as it is covered under the UPSC Syllabus.

Candidates shall go through the topic and make their UPSC notes accordingly.

1. The Ministry of Corporate Affairs (MCA) and Securities and Exchange Board of India (SEBI) is responsible for corporate governance initiatives in India. The corporate sector of India faced major changes in the 1990s after liberalization.
2. In the 1900s, SEBI regulated corporate governance in India through various laws like the Security Contracts (Regulation) Act, 1956; Securities and Exchange Board of India Act, 1992; and the Depositories Act of 1996.
3. In February 2000, SEBI established the first formal regulatory framework for corporate governance in India owing to the recommendations of the Kumar Mangalam Birla Committee. It was undertaken to improve the standards of corporate governance in India. This came to be known as clause 49 of the Listing Agreement.
4. A major corporate governance initiative was undertaken in 2002 when the Naresh Chandra Committee on Corporate Audit and Governance furthered their recommendations addressing multiple governance issues.
5. MCA and the Government of India have set up multiple organisations and charters like the Confederation of Indian Industry (CII), National Foundation for Corporate Governance (NFCG), and Institute of Chartered Accountants of India (ICAI).

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