Chapter 1

1. Introduction

Nalanda Small Scale Industries Development Corporation was established in the year 1962, to help the development of small scale industries (SSIs) in the state of Nalanda[1]. The company was enjoying good profitability and sales upto the early seventies. All of a sudden the company's sales started falling down from Rs. 18 crores in 1974 to Rs. 13 crores in 1975 and it was expected to touch a low of Rs. 5 crores in 1976. The company also started making losses. Reason? The corporation could not see the changes taking place in its environment. The situation of glut appeared as the government decontrolled the iron and steel industry. The corporation, which was engaged primarily in trading of iron and steel, lost the market overnight. It did not know where to look for. It was a late realisation to its management that the corporation did not have any strength to fall back upon. Worse still, in the process of making profit the soft way (by trading in a regulated item), it lost sight of its mission itself, the SSI was no longer the focus of the organisation.

Hindustan Tractors Limited[2], a manufacturer of 35 and 50 h.p. tractors, was doing pretty well till 1967, when all of a sudden it faced the crisis of survival, wrought by government regulating the price of tractors, even though it had been given the margin that was somewhat higher than the competitors. Reason? The owner/manager did not realise what all was required to manufacture tractors with local content; be it the development and retention of skilled manpower, institution of appropriate costing and control system and the design of suitable organisation structure or the timing of expansion of capacity/massive indigenisation programme.

International Manufacturing Company[3], after 100 years of undisputed leadership in the sewing machine business world over (having operations spread over more than 125 countries) all of a sudden started losing market share both in the domestic as well as international markets, accompanied by heavy erosion of profitability. Reason? A vertically integrated company, single product, high cost of operations and conservative top management, could not withstand the onslaught of competition from low cost machines from Japan, until a new, young chief executive took over the reins.

Olivetti Company[4], another world leader, in the field of office equipment, faced rough weather in the early sixties, after over 50 years of successful operations. It was on the verge of collapse. Reason? Too ambitious, unplanned / growth aimed to be achieved not only through internal expansion but also through acquisitions and unrelated diversifications, all leading to huge capital requirement that the company could not afford.

All the above cases look different, but have one thing in common. They could not maintain a good fit with the changing environment of their company. They did not notice the changes in time and make necessary changes in the design of organisation to adjust with the changed environment.

In the mid-fifties, Hindustan Levers Ltd.[5], forecasted an acute shortage of edible oil in India during tile next twenty years. The forecast came true with pinpoint accuracy. However, the company was able to avert a collapse .by undertaking diversification in a big way, taking up many new products, over a period of ten to fifteen years. The conscious analysis of the company's environment, keeping the long term perspective in mind, enabled the company to make painless transition. The company had realised the importance of a crucial management function, that or strategic management, that of shaping the future of organisation, which the other companies cited above had not. Before going into detailed discussions on various aspects of this crucial management function, let us understand the importance of the subject in simple terms.

1.1 Why to Study Strategic Management

From time to time many executives have been asking me to recommend a short book so that they can understand strategic management. Many a time faculty members have also been asking me as to what should be design of an appropriate curriculum and course design for students of strategic management programmes. Although I found it a difficult to answer in simple and categorical way I have been pondering over whether there could be a guideline to help answering this question.

I found a silver line in the questions that are typically asked by industrial engineers in improving design of processes, namely what is to be done, how it is to be done, where it is to be done, when it is to be done, who should do it, how it should be done, and occasionally asked why it is to be done. We can add one more namely; for whom it is to be done to fill our platter.

Unfortunately, the order in which these questions are asked is often not very clearly given, especially why it is to be done. To me it looks if the order is changed and why is brought as the first question, it will be easy to develop a practical guideline for teaching training and self- learning of the strategic management subject, which is very vast and complex in scope and perhaps can't be covered totally. Perhaps there is no need to attempt it, but leave it at indicative level as discussed below.

Every business organization is created (aims) to serve (meet) some or the other need(s) of a (set of members) of the Society, whom we refer as **customers.**. This can be called the purpose or the Mission of the organization **Thus the purpose or Mission of every business is to serve (meet) some or the other need(s) of a (set of members) of the Society whom we refer as customers, in the form of providing goods or services**

The **Mission** has to operationalised for action purpose (how much the organisation aims to serve), in foreseeable future, and to evaluate how well it has served/ not served, for taking corrective action. This is done by defining Mission in a measurable form as an **Objective** (in terms of quantity supplied). Multiplied by price, it is expressed as revenue**. Increasing Sales/ Revenue Growth thus, and should, become the first and the key objective** of a successful organisation

For this it has to organise to arrange one or more inputs, process them and arrange delivery of it to the customer. In a nutshell, thus, managing a business involves arranging the following:

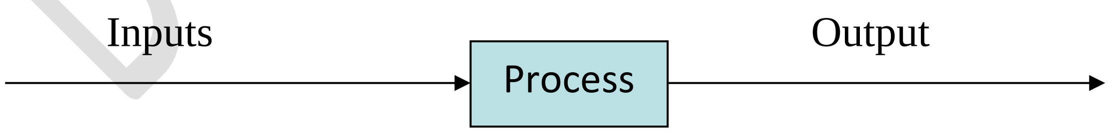
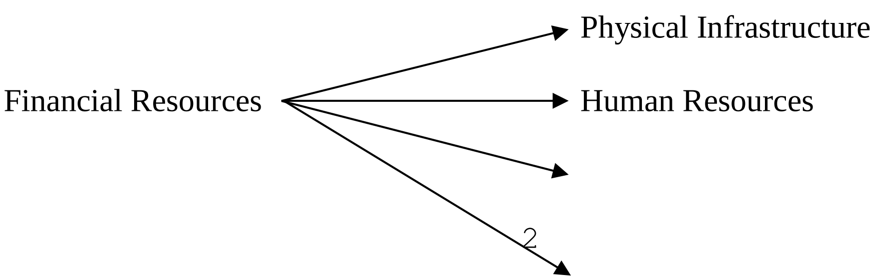


Fig. 1.1

To do each of these tasks it requires different types of resources/ infrastructure.



Organisational Resources (Str., Sys., Policies etc.)

Technological & Intangible Resources

Table 1.1

Infrastructure/ Input	Contributed (Provided by)
Land & Building	-Real estate agents/ government (normally on one time basis)
Machines	-Machine manufacturers (normally on one time basis)
Money	-Promoters/ owners, shareholders, banks, financial institutions etc.
Raw materials, components etc.	-Various suppliers
Supplies	-Various suppliers like electric cos. Water department etc.
Physical labour	-Skilled/ unskilled workers
Intellectual Labour	-Officers, managers etc.
Permission, license, supporting infras. etc.	-Government & regulatory agencies
Allowing peaceful conduction of business	-Society at large

Each contributor is an important one and has a stake in success of the organization. They are often termed as stakeholder alongside the customer. Further they contribute to the organisation in expectation of getting something or the other in return. The returns that different set of contributors expect for making contribution, vary a lot in terms of kind (material and non- material), quantum and time, and change dynamically, at times in very unpredictable way.

Organisations are cooperative systems and each contributor is a part/ member of organization, but and at the same time separate from it, and their expectations of return for their contribution keeps on changing influenced by what all happens in the environment (society)

The changes in expectations and contributions that they are willing to make can be perceived as a threat or as an opportunity, by managers of the cooperative system, depending upon how much one knows the stakeholders and their ability to manage shifts in the relationship of contribution and returns expected from each stakeholder.

New stakeholders may join this cooperative system. Some existing ones may quit/ stop making contribution. If due care is not taken, the withdrawl of contributions and the contributors from the organisation, may be sudden and even massive, without suitable new ones joining. In such a case the organisation may start sliding in performance and eventually collapse.

Coming back to the four different types of resources/ infrastructure (namely; the physical infrastructure, human resources, organization resources and financial resources and technogical and intangible resources), they are to be managed in tandem, because each one of them involves cost, which have to be covered with revenue realised from the customers. Difference between Revenue and Cost is Profit. In the long term no organisation can sustain/ survive without Profit. Profit thus becomes second most important objective.

This task is not easy. If infrastructure is created and it is not used fully (for example market does not accept/ like the product or service), the cost is incurred, but revenue not realised, thus creating difficulty in covering up the costs. Even if the market accepts, all the infrastructure components are rarely available in matched condition and hence the smallest one creates a bottleneck. The final output that gives revenue is thus constrained by this bottleneck, and hence costs of other, extra infrastructure is not covered. Further, if any other input, raw material or supplies, get interrupted, the infrastructure created is not utilised and so are other inputs. Lots of costs are thus incurred, but revenue not realised. If one create less infrastructure he may not be able to spread the fixed costs over larger volume (quantity), and therefore the revenue may not cover all costs.

The problem is further complicated if there are others who aim to meet the same needs of the society, (whom we call competitors), especially if they have better ability, access or control over supplying the products/ services to meet the same needs.

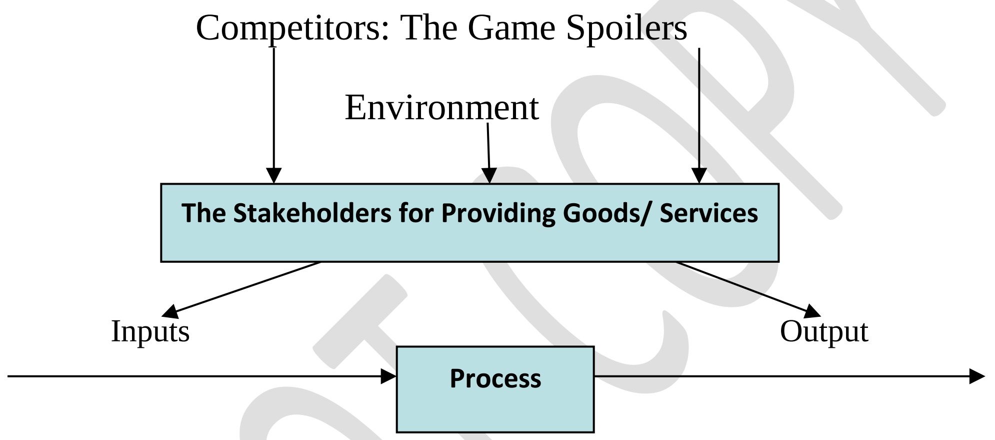


Fig 1.2

Managing various infrastructure and inputs, in tandem with the market, in a dynamically changing input and output stakeholders' expectations (environment), to achieve the twin objectives in the presence of formidable competitor(s) becomes a complex, critical and demanding managerial task. An understanding of **Strategic Management process, its concepts, tools and techniques helps in handling this task.**

So long as the business is small, it is easy to comprehend and understand the nitty- gritty of various tasks and consider all the related issues. As the business grows, the number of people engaged in different specialised jobs ranging from procuring diverse inputs, processing of complex chains of production and finally delivering products to variety of customers at different locations in different quantities and different times, making the task extremely complex and demanding. Special skills are required to manage various infrastructure/ resources contributors with diverse and dynamically changing expectations of return for contributions made by each one of them. **The significance and importance of strategic management thus increases exponentially with size of organisation, diversity of customers, processing technologies, variety of inputs and dynamics of environment.**

Ironically, if the organisation is successful (i.e., it grows and diversifies), it leads to complexities. The challenge is as much if it does not grow as much because others (competitors) will take away the business and the organisation will struggle for survival.

The above discussion on why to learn/ teach strategic management should help instructors in deciding whom to teach, what all to teach different target groups, when to teach, how to teach it, where to teach and who to teach it. For practicing managers, the issues will be when to learn, what all to learn, where to learn and from whom to learn.

Table 1.2

Sl.No	Topic	Inter-functional/ Resources Interplays	Concepts	Tools	Techniques
1	Mission Objectives				
2	Input- Process-Output Stakeholders				
3	Strategic Management Process				
4	Environment Analysis				
5	Competitors Analysis				
6	Strength/ Weakness Analysis				
7	Strategic Alternatives				
8	Strategy Choice				
9	Strategy Implementation				
10	Managing Change				
11	MCS				

Table 1.3

		Interplays (Inter-functional/ Resources)						Concepts	Tools	Techniques
		1	2	3	4	5	6			
Mission Objectives										
Stakeholders										
Strategic Mgt. Process										
Environment Analysis	Economic Social Technological Geo-Political Regulatory									
Competitors Analysis										
Strength/ Weakness	Physical Infrastru. Human Resource Organisatinal Res. Financial Resource. Tech/ Intangi. Res.									
Strategic Alternatives										
Strategy Choice										
Strategy Implementation										
Managing Change										
MCS										

From the above discussion, the topics shown in table 1 emerge as the critical inputs for designing the Foundation course of Strategic Management. The focus may be on concepts and to some extent on tools. The details of tools and techniques may be covered in advance courses. Full courses may be designed on strategic alternatives (diversification, strategic alliances, joint ventures, merger & acquisitions, turnaround and transformation, international strategies etc.) management of change (including creative problem solving), management control systems and various inter and intra functional interplays (which create complexities and need high level of integrative thinking) shown in table 2. This can be done by illustrating strategic incoherences and how they can be resolved. While intra-functional interplays may be left to functional area courses, inter-functional and inter-resources interplays may be covered in SM courses.

1.2 A Glimpse of Task of Managing Strategy Implementation

Strategic management process has two parts, the strategy formulation and strategy implementation, normally discussed in that order. However, the strategy implementation is more vast in scope and difficult to handle and is impinges on formulation also. It therefore, requires a brief introduction to appreciate detailed issues, before a detailed discussion follows on strategy formulation and implementation in that order.

Implementation is critical for success of a strategy. If a strategy can't be successfully and speedily implemented, it is immaterial how good was the strategy formulated and whether it was formulated or not. Indeed in many cases it might have been better if the strategy was not formulated. At least the blemish of failure and a good amount of financial loss/strain could be avoided, which in certain cases could be colossal. It is also observed that successful and expeditious execution of strategy may prove to be a competitive advantage. In certain cases like sugar processing or education, a delay can cause substantial loss of revenue and throw the financial planning out of year.

1.2.1 Nature and Scope of the Task of Strategy Implementation

Before we proceed further, it is necessary to remember that strategy implementation has two parts, thinking (analysis) and doing. Here the discussions are confined to thinking part only[6].

How do we go about implementing strategy? There are repeated iterations between proposed strategy and its implementation plan, before the strategy and its major action plans are finalized, although all the details are not possible at the time of strategy formulation. For ease of understanding of strategy implementation process we need to assume some strategy to develop action plan so that steps, road blocks, task involved and associated managerial challenge are clear. We can take first simple, straight forward cases like business of milk, which will help in appreciating more complex cases like diversification, mergers and acquisitions, international strategies and turnaround and transformation, which are discussed in later chapters.

Table 1.4

		Supply Chain	
Infrastructure/ Resources Needed to do the business at A particular level	Procurement of inputs →	Processing than →	Delivery of product/ service to End user customer)

Physical infrats. land, bldg, technology etc.	?	?	?
Human Resource Differentially skilled People, motivated staff, appropriate stiles at various levels.	?	?	?
Organisational Resources Appropriate Orga. Str. Systems, Corp & functional area policies, Culture.	?	?	?
Financial Resources	?	?	?
Technological & Intangible Resources	?	?	?

For implementation of any strategy, successfully, even in the most simple form of a single product business in a narrowly defined market area, the organisation must have/ create necessary resources and infrastructure of four types[7], namely; physical infrastructure, human resources, organization resources and financial resources, for the entire supply chain, i.e., from procurement of all the inputs, processing them and finally delivering the product/ services to the end user (customers) including after sales service, if and where necessary / applicable, as shown in the diagram above.

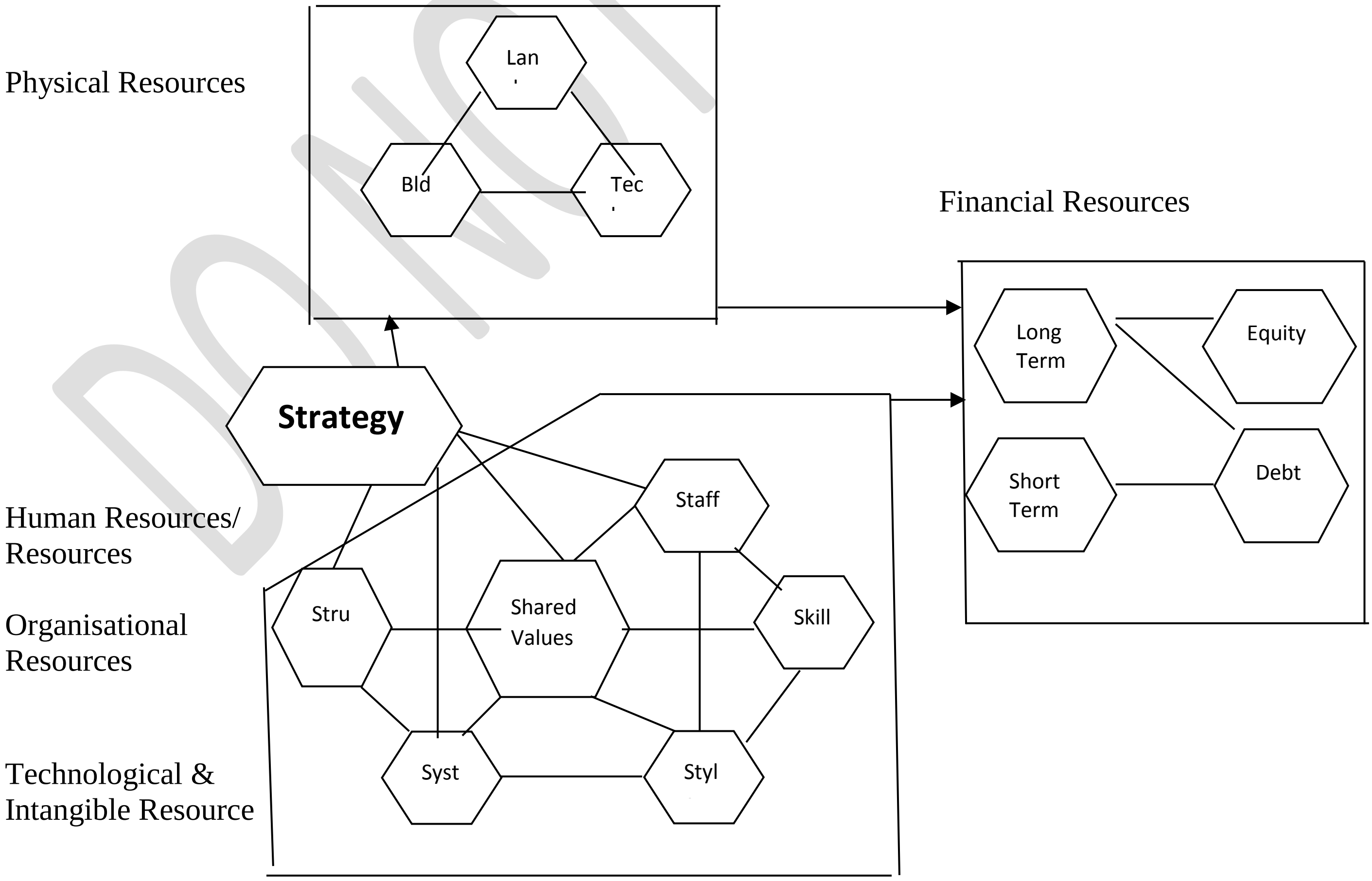


Fig. 1.3

It may be noted here that creating infrastructure or developing resource for any element of supply chain does not mean actually starting/ doing that activity which is covered under operating decision category[8]. For example creating distribution network or procurement network of milk does not mean actually selling or procuring the milk. It would mean deciding how the distribution or procurement would be done, open a distribution/ procurement office, deploying adequately trained personnel, arranging training or even training infrastructure to develop trained manpower for delivery/ procurement etc. and developing suitable policies for the same. So is the creation of physical infrastructure and skilled human resources for processing to produce a product/service. These activities are one time, not done on regular or repeat basis, although phasing out of creation of infrastructure or development of human resources or even incremental additions/ modification over time is possible. Also since these activities are one time, and the expenditure normally is significant, the expenditure is to be recovered over a period of time, not on piecemeal basis, but proportionate to value are or quantity of output.

Prima facie, the strategy implementation is a simple 3-step process. First, identify various tasks in creating infrastructure and development of various resources to carry out the operations. Second to visualise the ways in which these tasks are to be carried out. The third step is to visualise the ways in which problems which are likely to come in the way of carrying out these tasks are to be overcome.

1.2.2 Roadblocks in Strategy Implementation

After identifying the needed infrastructure and resources, the next task is to assess how much of it the organisation already possesses or has at its disposal. It may be a great surprise, if not a startling revelation at times, to know and realize that a good number of them the orgouisation already possess in varying degrees. This exercise will result in a check list of what all is required[9], out of which what already exists. The balance is to be developed, acquired or arranged through various means. This step is significant and if formally, explicitly and properly attended to, it may help in identification of new opportunities also, which can lead to strategy implementation driven formulation[10] of corporate, functional and divisional strategies discussed later. It is similar to what is popularly known as SWOT analysis[11], but is different in the sense that while SWOT analysis is general and not so concrete and task specific, the preparation of checklist for strategy implementation is an action oriented task, and the identification of new opportunities is add on to other methods of identification of opportunities emanating from environment analysis. It is concrete and specific and result of strength based opportunity and specific threats identification (which may be key vulnerabilities?

Once the checklist of balance tasks is prepared, the next step is to visualize the ways they can be done. Part of the balance tasks can be done following rational/ logical thinking[12] like creating standard infrastructure and acquire/ develop or arrange resources based upon inventory of knowledge existing and past experiences. But wait a while. Many a times the obvious, immediate solutions emerging from rational thinking are suboptimal and costly. A little pondering and use of lateral, creative thinking[13] can lead to new insights and solutions, which may lead to achievement of objectives more than initially set, for which a strategy was considered, or achieving more on those objectives. The more the lateral thinking, the better it is. At times it is the only way to overcome formidable roadblocks. A vivid example of it was seen in IMP institute where a serious constraint of land was holding consideration of larger size of staff dining hall. Use of creative problem solving increased the capacity 10-fold, from 50 seats to over 500 seats while the cost increased from Rs. 60 lakh to Rs. 160 lakhs only (see exhibit 1). Further discussion on the power and use of lateral thinking/ creative problem solving is deferred to the chapter on managing strategic change.

The biggest problem comes in the form of getting things done. No person, even chief executive, can do everything all by himself[14], except in case of small shops. As business expands and diversifies, several other persons join to assume functional or business responsibilities. The chief executive has to get the things done from them. This is where the catch and managerial challenge of two types. One, and a common one is that others seek various gratifications, which at times may be difficult to meet. Second, often not realized one, is the fact that the person (the delegatee) can't do the things exactly the same way as delegator would have done and the variations could be substantial, because different people have different experience and live in different worlds, which impinges on the way they perform the tasks given. This is more so with people outside the rolls of organization, the other stakeholders. It is an onerous task to make all the connected persons think and act the way chief executive wants, all across the organisation and the outside stakeholders. It is however, not impossible and management techniques and philosophies are available to handle the same[9].

An even bigger challenge is managing necessary cooperation among various people as per the task requirements to manage various inputs, process them and deliver to the end user. The role of organization structure, systems, policies and procedure to ensure the above is an important task, details of which are deferred to chapter 9.

Apart from meeting a large number of tasks and galvonising human resources into action, another major challenge emanates from the fact that various tasks are to be managed in tandem[15], in terms of time and space coordination/ matching with one another[16]. The slips in this coordination may delay or create loss of final delivery and generation of revenue, while costs keep up piling, which can throw even the very viability of otherwise a sound strategy, out of gear.

In the creation of physical infrastructure, the use of PERT technique is a common knowledge, how well it is used in practice is altogether different matter for discussion. What is important to appreciate is the behavioural side of it. An important part in PERT technique is the time estimates for various activities. It is often done only to complete the formality of PERT design, not watched and strictly monitored and controlled. The time for completion keeps on increasing on various pretext and the indifference of superiors towards project management, often due to perception that the subject is outside their area of expertise. This is as much a matter of heart[17], (the lack of willingness to complete the task as per the PERT design), as the matter of ability. The case Time Estimates[18] brings out this fact in a very interesting manner.

There is another important point to note here. Often one may tend to think that only creation of physical infrastructure requires the expertise of project management. But it is not so. The development, acquisition or arranging the three other resources require as much expertise of project management. Indeed, it may not be wrong to say that strategy implementation is nothing but managing several major projects of different kinds (requiring expertise from different disciplines) in tande.

If management of just physical infrastructure (like constructing a house) makes people sweat a lot, one can visualize the enormity of task demands and associated managerial challenges of strategy implementation. That too, it is be done on a sustained basis, one after another, year after year. Unfortunately, in most organisations no conscious efforts are made to develop this important expertise and overall development of it is assumed away or left to dictum of "learn while you earn", with attendant consequence of failure or inefficient implementation of strategy, resulting in failure or suboptimal performance of a strategy chosen.

The biggest and perhaps the most significant challenge emerges from the fact that management of different types of resources requires expertise of several different disciplines of specialization and it becomes difficult to get a person with such overall expertise, especially in this era when most experts are going for more and more acute specialization in a very narrow area[19]. How to get/ develop people who have adequate understanding of issues of four different disciplines to manage the development of four distinctively different kinds of infrastructure and resources, in tandem, matching in time and space (place)[20], is a significant challenge.

Last but not the least, as the complexities in terms of variety of output and variety of input for different output increase, the complexities and managerial challenges of organizing them also increase, which is found in the case of diversifications, acquisitions and mergers, turnaround and transformation and international business cases.

In a nut shell, the variety and diversity of inputs, process and outputs, creation, development or acquisition of four different kinds of infrastructure and resources (requiring expertise of four different streams) in tandem, makes the task of strategy implementation truly demanding and challenging.

1.2.3 Putting Life in Organization

Even if all the infrastructure and resources are developed, acquired or arranged, nothing will happen unless life is put in the organsation. It will be only an assemblage of various inputs, infrastructure and resources, a passive thing which is galvanized into action only when life is put the organization and people start acting individually and together. It is like putting soul in the human body. Further insights into how it can be done, could be had from a serious look at motivational literature, especially the work of Bernard[21].

1.2.4 Strategy Implementation: The Fine Art of Detailing

From the forgoing discussions it will be clear that the first step in strategy implementation is the fine art of detailing, detailing, and detailing: what all is to be dome, when various tasks are to be performed, where are they to be performed, how they are to be performed and who will perform them. Once this detailing is done we are ready for performing "doing" part or actually implementing the strategy.

But wait a while, not all the tasks and issues will be so very clear, especially "who will do them", particularly if they are to be done first time and or if new person(s) is to be recruited or developed. How much time he (they) will take to acquire or develop? When they will be ready to assume full responsibility of one or more tasks envisaged to be assigned to him (them) and deliver results, be it arranging license, import and commissioning of technology, acquiring or developing other resources like land or distribution channels?

Same or similar questions will have to be answered for getting cooperation from other (outside) stakeholders. These lurking doubts make the strategy implementation plans a little judgemental and tentative, depending upon one's past experience of getting the things done, which determines the confidence level to arrange the infrastructure and other resources.

Due to the above, the overall experienced based judgements, the detailed action plans are "probabilistic". Indeed, if there are several strategic alternatives, they are evaluated on how much each will achieve on various objectives set out initially. Different alternative strategies are likely to achieve different levels of the objectives set out.

Now this exercise is to be done for various strategic alternatives generated based up on SWOT[22] or ETOP & SAP[23] analysis, discussed in chapter 4 & 5. These alternatives are evaluated on various criteria (discussed in chapter 6) and the confidence of the strategist(s). The strategy which scores highest on various criteria combinations may be selected. Even more than one strategic alternatives may be selected if found attractive

But even this selection may be tentative, because it is impossible to visualize every detail and have confidence that they will be done. To overcome this dilemma, Andrew's approach to corporate strategy[24] may be useful which limits to practical detailing, limited to major plans and programmes of action. Things which can be done easily and resources which are easily and freely available may be left to be decided based upon dictum "will cross the bridge as they come", but not major tasks and actions which have important bearing on the strategy and which may not be easily done, before the strategy is finalized. Strategists need an eagle's, penetrating, eyes on such issues of strategy implementation so that there are no problems when the actions start rolling. Sound strategists are determined persons, who have ability to ask relevant questions on various strategy implementation issues and can weed out significant and relevant from insignificant and irrelevant issues.

Strategy implementation is, thus, not just a pack of actions (as the name sounds) but it is as much the fine art of visualizing various tasks (with an eagle's eye) and creatively crafting workable actions plan which can be executed with confidence and high probability of success.

It may be noted that since different people have different success experiences for various tasks/ action proposed, different alternative (proposed) action plans have different levels of confidence, depending upon proposer's confidence levels. The strategy implementation and therefore (final) action plan of strategy is unique to strategist(s). Furthermore, as context changes, tasks will change and thus confidence levels will also change. Strategy, coming out of iterations between formulation and implementation plans, is therefore unique to strategists as also the context in which he formulates it.

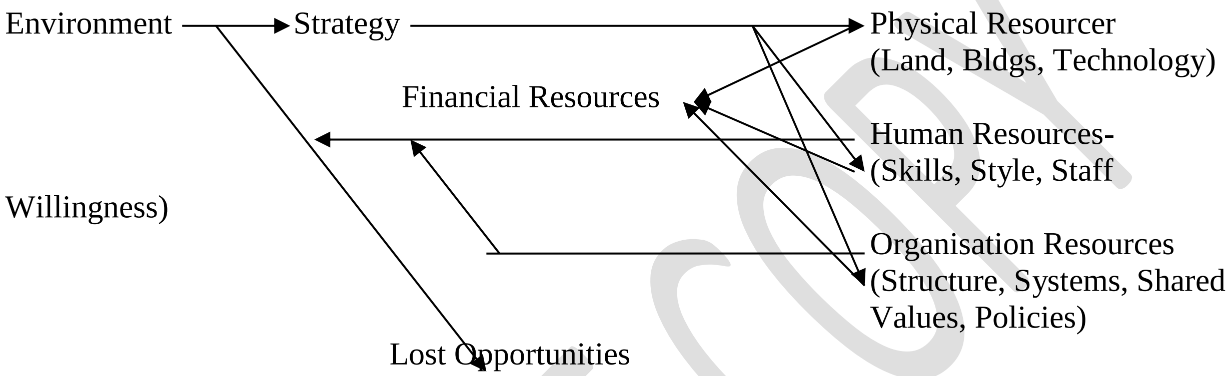
Thus, two different strategists are most likely to decide different strategies in the same context. Also, same strategist may or may not decide same strategy in two different contexts, even at the same point of time and for same organisation.

While the discussion on details of various tasks is deferred to later chapters, it is necessary to mention here that the extent to which any one more tasks are not performed adequately and completely, and any one or more links are missing, strategic incoherence get created, which decide the degree of failure of strategy and thus decline in performance of the organization.

1.2.5 Strategic Incoherence

Strategic incoherence refers to mismatch, misfit or inconsistency among various elements in the strategy formulation and or implementation. There could be mismatch between the environment and strategy (formulation issue), between strategy and structure, systems, shared values, skills, styles and staff (number and their motivation as highlighted by McKinsey's 7s model[25]. There could be mismatch between the strategy and financial structure or funds flow. There could he mismatch between strategy and physical infrastructure and technology. Put it in the frame work of various resources we have discussed so far it can be represented by the diagram shown below.

Physical resource incoherence with strategy hampered the growth of Apollo Hospitals Enterprise Ltd[26]. in mid 1980s. Inability to get license for international flights sowed the seeds of demise of Kingfisher Airlines[27] in the last decade. Inability to successfully absorb technology speedily led to acquisition of Neycer by Spartek Ceramics[28] in 1980s. Poor technology and financial structure and other incoherence led to sickness of Scooters India Ltd.[29] for almost quarter of a century. This was compounded by leadership style which led to loss of many wonderful opportunities that came over twenty years.



Orgnisation resources incoherence with strategy led to threat of missing opportunities in case of Birch Paper Company[30] caused by creation of divisional structure, without appropriate transfer pricing policies. The strategy- incoherence with information system and divisional managers' style and poor organisational ethos led to chopping of a division which was created in Tanner Corporation[31] by acquiring a company.

Strategy financial resource incoherence is a very common occurrence like the sellout of JP Group's Power Plants[32] and fall of Kingfisher Airlines[33] in recent times. Indeed the accumulated physical, human and organisatinal resources incoherence with strategy is often compounded in the form of financial incoherence with strategy as funds/cash inflows do not cover funds/cash outflows.

The mismatch may be not be simple and direct between two elements only, it could be complex and between multiple elements simultaneously. It may be stable but also vary over time, making it a very complex and be harmful for the overall performance of the organisation, both in the short and the long term one.

The short term consequences of strategic incoherences are declining or suboptimal performance of the organisation. The long term consequences are more damaging and less noticed. They are also in terms of number of wonderful opportunities being missed out due to human resource and organisational resource incoherence with environment and strategy.

How do incoherences affect the functioning of an organiaations? Some like physical and financial incoherence create bottlenecks and thus limit the level of organisation's output, which can be increased by removing bottlenecks in a quantified manner. Others like strategic incoherence of human resource and organisational resources have choking effects, like blockage of arteries and malfunctioning of various glands in the human body, which are silent, not easily visible and identifiable, and are often noticed when they have crippling effect like heart attack or kidney failure. They need special diagnostics test conducted by an external expert or consultant like doctors. These diagnostics are audits[34] of systems, structure, policies, procedures, styles and organisational culture.

Do the organizations having one or more strategic incoherence perform very badly in the market? Evidences do not support it conclusively. Because performance to the extent it suffers vis-a-vis competitors on account of strategic incoherence, is determined by relative strategic incoherence of competitor(s). Instead of focusing too much of attention to relative strategic incoherence, organisations would do better by focusing on their own strategic incoherence and try to overcome or remove them.

How much is the damage caused by strategic incoherence? It is difficult to say. It is like how much a person can't deliver due to prevailing conditions of surroundings, preparedness and body condition for performance. Whether there are any preventive care possible? Yes, like in medical science, through regular checkups. Whether and to what extent it can be prevented is again a difficult question to answer like what will happen if a person appears in examination. But by not appearing he can't get selected. Likewise, without regular checkups one can't guard against poor performance of the organisation.

The strategic incoherence can occur by mistake, due to indifference or due to deliberate misdeavour of one or more key executives of the organisation playing petty politics[35], one manipulating organisational policies and systems for personal gains and benefit. Above all it could be caused by gross incompetence of the Chief and other key executives.

The incoherences are not unusual phenomenon. Every organisation has few or many of them at any point of time. It would be a surprise if an organization has few and insignificant ones. It would happen only if necessary care was taken by enlightened management of the organization. Indeed, not having any strategic coherence would be a utopian idea. Organistions are dynamic, especially better preforming ones. As they stabilise one set of relationships between various elements of organisations to achieve coherence, the organisation performance goes up and aspirations rise, creating demand for new chain of relationships between various elements which would take time to establish and stabilise. Indeed, most of the time, demand for new relationships arise before the existing relationships stabilize

Apart from the audits mentioned above to diagnose the incoherence for remedial action, there is a tonic for guarding against strategic incoherences. It is sustained and concerted efforts for developing and enhancing the integrative thinking ability (in all three dimensions) among the middle, senior and top level executives[36]).

1.3 Framework of Discussion

The purpose is to give the basics of Strategic Management (SM) function. The discussion gradually develops the concept of Strategic Management, in a way that highlights why SM is an important, albeit complex management function; requiring a specialised and exclusive set of managerial competencies (skills, orientation and perspectives), which need and can be consciously cultivated, to fully realise the benefits accruing from SM function. The discussion then proceeds to the conceptual framework of Strategic Management Process (SMP). The need for considering ownership influence on Strategic Management process (which is an important though inadequately explored aspect in Indian context) is highlighted. The subsequent sections provide the details of each element in the two phases of the strategic management process; namely the strategy formulation and strategy implementation. The former covers issues of mission, objectives, need gap, environmental analysis, strength and weakness analysis, strategic alternatives, and strategic choice issues. Strategy implementation covers the communication of corporate strategy, resource allocation and mobilisation, organisation structure, systems, skills, staff, top management styles, culture and leadership issues.

Attempt here has been made to present various issues in a way which highlights the intricate relationship between them, to enable the reader to appreciate the importance and integrative character of Strategic Management. Likewise the presentation has been made in a way that highlights the importance of considering strategy implementation issues at the time of strategy formulation itself. Care has also been taken that the issues, which are very important in the Indian context (e.g. managing human resources) are highlighted. Also more details are provided about concepts which are critical and ate prone to confusion (e.g. long range strategic planning and long range action planning, different dimensions of human resource .management, information system etc.). Attempt has also been made to identify characteristics of strategic leadership and the developmental efforts required to groom the strategic leaders, an aspect which requires serious attention and concerted efforts to reap the advantages of Strategic Management. Finally, conscious efforts have been made to make to the text as concise as possible covering significant points and avoiding details. This is done to enable the reader to go through it more than once, be able to comprehend various issues in the entire strategic management process, realise its complexities (and appreciate what makes it so) and be able to retain the concepts and tools and techniques used in Strategic Management without getting bogged or lost in details.

Review Questions

1. Why should one study strategic management?
2. What must be studied at the minimum level?
3. Conceptually, what are the tasks in strategy implementation? What makes them challenging?
4. What is strategic incoherence? What is it significance?
5. Discuss the importance and process of detailing in strategy implementation.
6. What are the roadblocks in strategy implementation? How they can be removed?
7. What is the importance of strategy implementation expertise for strategy formulation?
8. “Corporate strategy is unique to strategists”. Why?
9. How the input-process-output model can help in corporate strategy development?
10. What are advantages of having strategic management expertise?

References

Not given intentionally.

Exhibit 1

The Kick of Creativity

The Phase II of construction work of IMP Institute's campus was getting delayed so much so that only 40% progress was reported in 24 months for a project that was to be completed in just 15 months. The Phase II work included, inter-alia, a staff dining hall for 50 persons.

A new Director joined the institute. He felt that the 50 seater dining hall will prove to be too inadequate for a growing institute as could be seen from the crowd at lunch time in the students' canteen, which was being used for staff dining as a stop gap arrangement. There was no dining facility for participants of management training programmes, which were being conducted at a low key for want of hostel, dining and class room facilities.

The Director asked the Architects to increase the capacity of proposed staff dining hall to 100 persons, who regretted it because no land was available for the purpose in the campus, which was spread over two small hills and any unwarranted cutting of hills could result in land slide, which the institute was facing at some buildings under construction. He pondered over the matter for few months. One night it occurred to him that land means area, which is expressed in x and y axes. What about Z axis that he studied in geometry and building drawing? An then idea crossed his mind and he suggested to the Architects to design 100 seater dining hall, expandable to 200 (by raising one more floor), erecting pillars on both sides of the road (no more cutting of hill was required) and making dining hall above the road. The Architects designed it. The Director then requested to make it 200 seater one, expandable to 400 seats. The Architect then made a new design, which could accommodate 150 seats, comfortably, on each of two floors (including a VIP dining room on each floor). It also had a service area on each floor, which could accommodate another 15-20 seats.. The pillars on the valley side of the road were so wide that two small rooms could be carved, which could be used as a 20 seater seminar room, as room for small Management Development Programmes or as additional dining rooms, taking the total capacity to about 400.

Rains in Kerala are heavy and the roof had to be provided with shelter to avoid accumulation of water. Very strong aluminum sheets, covering the entire roof, had to be used to withstand high velocity of winds, coming directly from the Arabian sea,. The iron rails surrounding the roof were not considered safe and hence walls with doors and windows had to be constructed to cover the sides, which converted the top floor also into a large dining hall (which could be used even for conference purpose), taking the total seating capacity of the staff dining hall to almost 600 (which could accommodate even higher number in a buffet arrangement).

The initial capacity of 50 seater staff dining hall thus went up 10-fold. The Rs. 60 lakhs estimated cost went up to Rs. 160 lakhs, but the impressive three story dining hall could meet the requirements of not only the staff even when the academic activities tripled, but also accommodated students of increased intake (till new facilities were created) but also participants of management development programmes for the next 7-8 years (till new facilities were created).

Was increased capacity a kick of creativity? Is delay in project completion a bane or blessing in disguise? Is constraint as serious a land an opportunity to grow? How much capacity augmentation could be done by Architects through creative designs, if one requests them. These questions make one ponder as strategist. More example of it can be seen in cases Is Small Beautiful (C), (D), (E) and (F).