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CHAPTER

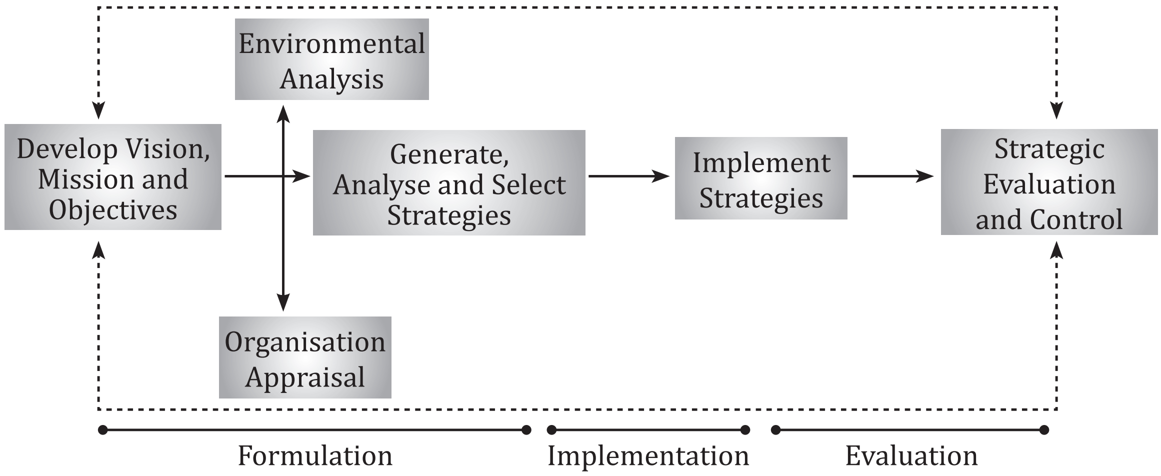
Strategy Implementation and Evaluation

Introduction

- Strategy implementation and evaluation are critical phases of the process of strategic management in an organization.
- Implementation involves putting the plans and initiatives developed as part of the strategy into action, while evaluation refers to the process of measuring and assessing the effectiveness of these actions.

Strategic Management Process

- The process of developing an organisation's strategy is quite methodical. The organisation first develops a clear vision, mission, values and goals.
- All these aspects come together in a strategic plan that details the organisation's vision, mission, values, goals, strategic themes, a high level implementation plan and key performance measures.
- The key performance measures are included in the strategic plan and are used to link the themes back to the organisation's goals and to measure the success of the strategy after it is implemented.
- The strategic management process is dynamic and continuous.
- For instance, a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy; or a major competitor's change in strategy could require a change in the firm's mission.
- Therefore, strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semi-annually. The strategic management process never really ends.

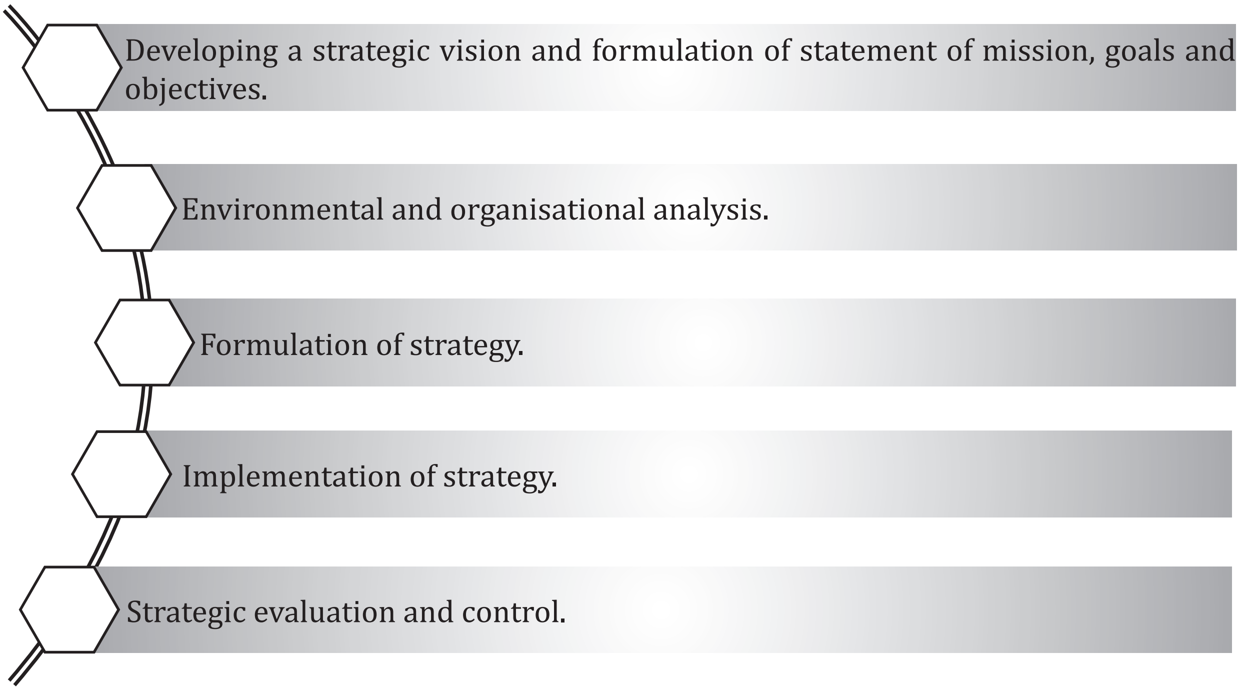


- Strategic Management Model **(Fred R David)** is a widely accepted, comprehensive.
- This model like any other model of management does not guarantee sure-shot success, but it does represent a clear and practical approach for formulating, implementing, and evaluating strategies.
- Relationships among major components of the strategic management process are shown in the model.
- In practice, strategists do not go through the process in lockstep fashion.
- Generally, there is give-and-take among hierarchical levels of an organisation. »›The process essentially is iterative and involves a lot of back-and-forth considerations across different stages in the strategic management process.
- Many organisations conduct formal meetings semi-annually to discuss and update the firm's vision/mission, opportunities/threats, strengths/ weaknesses, strategies, objectives, policies, and performance.
- Creativity from participants is encouraged in meeting.
- Good communication and feedback are needed throughout the strategic management process.

Stages in Strategic Management

- Crafting and executing strategy are the heart and soul of managing a business enterprise.
- But exactly what is involved in developing a strategy and executing it proficiently?
- And who besides top management has strategy - formulation - executing responsibility?

Strategic management involves the following stages:



Stage 1: Strategic Vision, Mission and Objectives

- First, Co. should develop a Vision i.e., future blueprint.
- It answers the question 'where it wants to land'.

- Top management's views and conclusions about company's direction and product, customer, market, technology focus constitute strategic vision of company.
- Mission statements define what we are and what we do. Hence, the focus is on the role played by organizational in society and overall direction and not any SBU specific direction.
- Objectives & goals of an Org flows from V & M.
- They provide a means of performance measurement at each level of management.

Stage 2: Environmental and Organisational Analysis

This stage is the diagnostic phase of strategic analysis. It entails two types of analysis:

1. **Environmental scanning**
2. **Organisational analysis**

1. **Environmental Analysis –** It consists of economic, social, technical& market analysis. It is dynamic and uncertain & helps in determining opportunities and threats.
2. **Organizational Analysis –** It consists of analysis of Co. resources, tech resources, Productive capacity, distribution channel, R&D, HR, etc. It reveals strength and weakness of Organisation.

   This stage helps in SWOT analysis.

Stage 3: Formulating Strategy

- First stage in strategy formulation is developing strategic alternatives in line with SWOT of organization.
- Second stage involves choosing appropriate alternative which will serve as strategy of Firm.

Examples of strategic alternatives:

(*a*) Should company continue in same business on same level of operation?

(*b*) If it should continue in same business, should it grow by expanding same unit; establishing new units; or acquiring other units in same Industry?

(*c*) If it should diversify, should it diversify into related or unrelated areas?

(*d*) Should it get out of existing business fully or partially?

(*e*) Combination of any of the above strategies

Stage 4: Implementation of Strategy

- It is operation- oriented activity.
- Most demanding & time-consuming stage.

Strategy execution process includes following aspects:

(*a*) Developing budget to allocate ample resource for strategy implementation.

(*b*) Staffing Org. with needed skills & expertise.

(*c*) Motivating people to pursue target energetically.

(*d*) Creating a Co. culture & work climate that support successful strategy execution.

(*e*) Ensuring policies, procedures and internal operations facilitate effective execution.

(*f*) Exerting Leadership needed for strategic execution & continuous improvement.

Good strategy execution creates strong fits between

(*a*) Strategy & Org's capability

(*b*) Strategy & reward structure

(*c*) Strategy & Org work culture

(*d*) Strategy & internal system

Stage 5: Strategic Evaluation and Control

Final stage of SM process involves

- Evaluating Co.'s strategy implementation &
- Assessing impact of new external Developments and make corrective adjustments to V, M, Objectives & strategy.

Successful strategy execution requires searching for:

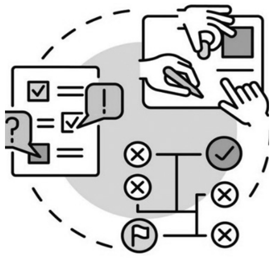
(*a*) Ways to continuously improve and

(*b*) Corrective adjustments whenever external & and internal environment demands.

It may be in form of –

- Simple fine-tuning strategy if strategy is working well; or
- Modifying strategy when strategy is not yielding desired result or there is changes in environment.

Strategy Formulation Corporate Strategy



- Planning entails choosing what has to be done in the future (today, next week, next month, next year, over the next couple of years, etc.) and creating action plans. An essential element of effective management is adequate planning.
- Choosing a path of action to achieve defined goals is a part of planning.
- The game plan that really directs the company towards success is called "corporate strategy". Planning may be operational or strategic.
- Senior management develops strategic plans for the entire organisation after evaluating the organization's strengths and weaknesses in light of potential possibilities and dangers in the outside world.

Corporate Strategy

Strategic planning

Characteristics of Strategic planning
Shapes the organisation and its resources. Assesses the impact of environmental variables. Takes a holistic view of the organisation. Develops overall objectives and strategies. Is concerned with the long-term success of the organisation. Is a senior management responsibility.

Operational planning

Characteristics of Operational planning
Deals with current deployment of resources. Develops tactics rather than strategy. Projects current operations into the future. Makes modifications to the business functions but not fundamental changes. Is the responsibility of functional managers.

Strategic Planning: The game plan that really directs the company towards success is called **"corporate strategy"**. The success of the company depends on how well this game plan works. Because of this, the core of the process of strategic planning is the formation of corporate strategy. The formation of corporate strategy is the result of a process **known as strategic planning.**

- Strategic planning is the process of determining the objectives of the firm, resources required to attain these objectives and formulation of policies to govern the acquisition, use and disposition of resources.

- Strategic planning involves a fact of interactive and overlapping decisions leading to the development of an effective strategy for the firm.
- Strategic planning determines where an organisation is going over the next year or more and the ways for going there.
- The process is organisation-wide or focused on a major function such as a division or other major function.

Strategic uncertainty and how to deal with it?

- Strategic uncertainty refers to the unpredictability and unpredictability of future events and circumstances that can impact an organization's strategy and goals.

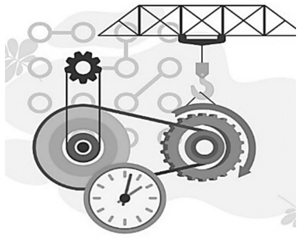
- It can be driven by factors such as changes in the market, technology, competition, regulation, and other external factors.
- Dealing with strategic uncertainty can be challenging and organizations need to have the flexibility, resilience, and agility to quickly respond to changes in the environment and minimize its impact.
- To be manageable, they need to be grouped into logical clusters or themes.
- It is then useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis.

Flexibility	Organizations can build flexibility into their strategies to quickly adapt to changes in the environment.
Diversification	Diversifying the organization's product portfolio, markets, and customer base can reduce the impact of strategic uncertainty.
Monitoring and Scenario Planning	Organizations can regularly monitor key indicators of change and conduct scenario planning to understand how different future scenarios might impact their strategies.
Building Resilience	Organizations can invest in building internal resilience, such as strengthening their operational processes, increasing their financial flexibility, and improving their risk management capabilities.
Collaboration and Partnerships	Collaborating with other organizations, suppliers, customers, and partners can help organizations pool resources, share risk, and gain access to new markets and technologies.
Impact of uncertainty	Each element of strategic uncertainty involves potential trends or events that could have an impact on present, proposed, and even potential businesses., a trend toward natural foods may present opportunities for juices for a firm producing aerated drinks on the basis of a strategic uncertainty. The impact of a strategic uncertainty will depend on the importance of the impacted SBU to a firm. The importance of established SBUs may be indicated by their associated sales, profits, or costs. However, such measures might need to be supplemented for potential growth as present sales, profits, or costs may not reflect the true value.

Strategy Implementation

- Strategy implementation concerns the managerial exercise of putting a freshly chosen strategy into action.

  Deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it works, improving the competence with which it is executed and showing measurable progress in achieving the targeted results.



- Strategic implementation is concerned with translating a strategic decision into action, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability.

Relationship with strategy formulation

Strategy Formulation

Sound

A
- Square A represents a situation where strategy formulation is sound and strategy implementation is weak.
- It may be due to lack of resources, experience, leadership etc.
- Company should try to move from square A to B.

B
- Square B represents a situation where strategy formulation is sound and strategy excellent.
- Ideal situation which every Firm wants to achieve.

Flawed

C
- Square C represents a situation where strategy formulation is flawed and strategy implementation is weak.
- In this case, company needs to redesign their strategy and read just their implementation skills.

D
- Square D represents a situation where strategy formulation is flawed and strategy implementation is excellent.
- In this case, company needs to redesign their strategy before readjusting them implementation skills.

Weak **Excellent**

Strategic Formulation

Effective **Ineffective**

Operational Management

Effective

Thrive/ Grow

A situation where strategy formulation is effective and operational management is efficient. Such company is well placed and thrives as it is achieving what it wants to achieve with efficient input-output ratio.

Die slowly

A situation where strategy formulation is ineffective and operational management is efficient. Such company is doomed to fail unless there is change in strategic direction.

Ineffective

Survive

A situation where strategy formulation is effective and operational management is inefficient. Such company will survive as strategic direction to ensure effectiveness is there even if too much input is used to generate output.

Die quickly

A situation where strategy formulation is ineffective and operational management is inefficient. Such company is doomed to fail unless there is change in strategic direction.

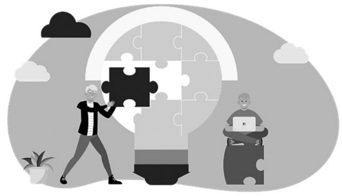
Difference between Strategy Formulation and Implementation

Summarized are the key distinctions between strategy formulation and strategy implementation:

Strategy Formulation	Strategy Implementation
Strategy Formulation includes planning and decision-making involved in developing organization's strategic goals and plans.	Strategy Implementation involves all those means related to executing the strategic plans.
In short, Strategy Formulation is placing the Forces before the action.	In short, Strategy Implementation is managing forces during the action.
An Entrepreneurial Activity based on strategic decision-making.	An Administrative Task based on strategic and operational decisions.
Emphasizes on effectiveness.	Emphasizes on efficiency.
Primarily an intellectual and rational process.	Primarily an operational process.
Requires co-ordination among few individuals at the top level.	Requires co-ordination among many individuals at the middle and lower levels.
Requires a great deal of initiative, logical skills, conceptual intuitive and analytical skills.	Requires specific motivational and leadership traits.
Strategic Formulation precedes Strategy Implementation.	Strategy Implementation follows Strategy Formulation.

- Strategy formulation concepts and tools do not differ greatly for small, large, for - profit, or non-profit organizations. However, strategy implementation varies substantially among different types and sizes of organizations.
- These types of activities obviously differ greatly among manufacturing, service, and governmental organizations.
- Two types of linkages exist between these two phases of strategic management. The forward linkages deal with the impact of strategy formulation on strategy implementation while the backward linkages are concerned with the impact in the opposite direction.

Linkages and Issues in Strategy Implementation Linkages



Noteworthy is the fact that while strategy formulation is primarily an entrepreneurial activity, based on strategic decision-making, the implementation of strategy is mainly an administrative task based on strategic as well as operational decision-making.

Forward Linkages	• The different elements in strategy formulation starting with objective setting through environmental and organizational appraisal, strategic alternatives and choice to the strategic plan determine the course that an organization adopts for itself. • With the formulation of new strategies, or reformulation of existing strategies, many changes have to be affected within the organization. • The organizational structure has to undergo a change in the light of the requirements of the modified or new strategy. • The style of leadership has to be adapted to the needs of the modified or new strategies.

Backward Linkages	❍ Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation. ❍ While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. ❍ Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.

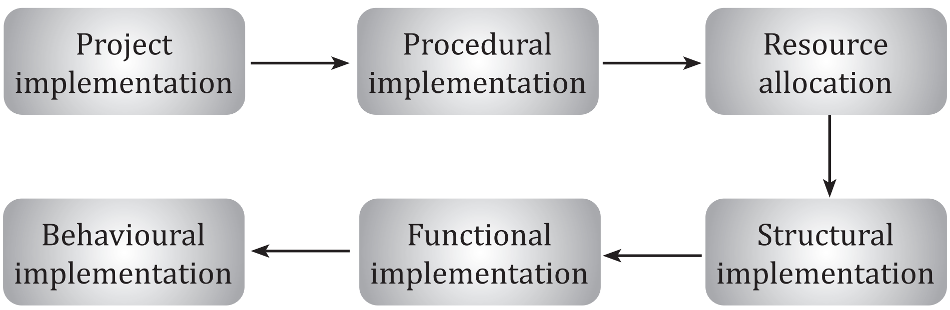
Issues in Strategy Implementation

A strategist, therefore, has to bring a wide range of knowledge, skills, attitudes, and abilities. The implementation tasks put to test the strategists' abilities to allocate resources, design organisational structure, formulate functional policies, and to provide strategic leadership.

The strategic plan devised by the organization proposes the manner in which the strategies could be put into action. Strategies, by themselves, do not lead to action. They are, in a sense, a statement of intent. Implementation tasks are meant to realise the intent. Strategies, therefore, have to be activated through implementation.
Strategies should lead to formulation of different kinds of programmes. A programme is a broad term, which includes goals, policies, procedures, rules, and steps to be taken in putting a plan into action. Programmes are usually supported by funds allocated for plan implementation.
Programmes lead to the formulation of projects. A project is a highly specific programme for which the time schedule and costs are predetermined. It requires allocation of funds based on capital budgeting by organizations. Thus, research and development programme may consist of several projects, each of which is intended to achieve a specific and limited objective, requires separate allocation of funds, and is to be completed within a set time schedule.

Implementation of strategies is not limited to formulation of plans, programmes, and projects. Projects would also require resources. After resources have been provided, it would be essential to see that a proper organizational structure is designed, systems are installed, functional policies are devised, and various behavioural inputs are provided so that plans may work.

Given below in sequential manner the issues in strategy implementation which are to be considered:



- The above activities need not be performed one after other. They can be done simultaneously as well.
- Strategy implementation requires shift in responsibility from Strategist to divisional and functional managers/ employees.
- This shift in responsibility may create implementation problem if new strategy comes as surprise to them. Hence, divisional & functional managers should be involved as much as possible in strategy formulation process.
- Similarly, strategists should also be involved in strategy implementation process.
- Strategist's genuine personal commitment to implementation is necessary and powerful motivation for managers and employees.
- Major competitors' accomplishments, products, plans, actions, and performance should be apparent to all organizational members. Major external opportunities and threats should be clear, and managers and employees' questions should be answered satisfactorily.
- Top-down flow of communication is essential for developing bottom-up support.
- Firms need to develop a competitor focus on all hierarchical levels by gathering and widely distributing competitive intelligence; every employee should be able to benchmark her or his efforts against best-in-class competitors so that the challenge becomes personal. This is a challenge for strategists of the firm. Firms should provide training for both managers and employees to ensure that they have and maintain the skills necessary to be world-class performers.

Strategic Change Through Digital Transformation

- Organizations are being pushed harder than ever to shift digitally in order to stay competitive.
- Digital transformation, however, may be a difficult and complicated process. To guarantee that projects for digital transformation are effective, change management is crucial.

Strategic Change

The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

Steps to initiate strategic change: For initiating strategic change, three steps can be identified as under:

Recognize the need for change	❍ The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not. ❍ This basically means going for environmental scanning involving appraisal of both internal and external capabilities may be through SWOT analysis and then determining where the lacuna lies and scope for change exists.
Create a shared vision to manage change	❍ Objective of both organization and individual should coincide and there should not be any conflict. ❍ This needs creation of shared vision between organization and management which needs to be communicated.
Institutionalise the change	❍ It is action stage that requires implementation of change strategy. ❍ Change process should be monitored and in case of any deviation, corrective action should be taken.

Kurt Lewin's Model of Change: To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.

Unfreezing the situation	❍ Lewin proposed that change should not come as surprise to organization members as it lowers their morale. ❍ Process of unfreezing makes individual aware of necessity for change & help prepare for such change. ❍ It involves breaking down old attitude & behaviour, custom & tradition so that they start clean slate and are willing to change. ❍ This can be achieved by making announcements and holding meetings throughout the organization.
Changing to the new situation	❍ Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalization. ❍ **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better. ❍ **Identification:** Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them. ❍ **Internalization:** Internalization involves some internal changing of the individual's thought processes in order to adjust to the changes introduced. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.
Refreezing	❍ It occurs when new behavior pattern becomes way of life. ❍ New behavior must replace former behavior completely & permanently. ❍ Change process is not one time process but a continuous one due to dynamism and ever- changing environment.

How does digital transformation work?

The use of digital technologies to develop fresh, improved, or entirely new company procedures, goods, or services is known as "digital transformation." It's a fundamental adjustment that can be challenging to identify and even more challenging to implement.

Change management in the digital transition consists of four essential elements:

1. Defining the goals and objectives of the transformation.
2. Assessing the current state of the organization and identifying gaps.
3. Creating a roadmap for change that outlines the steps needed to reach the desired state.
4. Implementing and managing the change at every level of the organization.

How does change management work?

The role of change management in digital transformation, Digital transformation is a process of organizational change that enables an organization to use technology to create new value for customers, employees, and other stakeholders. A good change management strategy is necessary for a successful digital transformation.

Change management is the process of planning, implementing, and monitoring changes in an organization. It provides organizations in achieving their objectives while reducing risks and disruptions. For any organisation undergoing a digital transition, change management is crucial.

A properly implemented change management strategy can help an organization to:

- Specify the parameters and goals of the digital transformation.
- Determine which procedures and tools need to be modified.
- Make a plan for implementing the improvements.
- Involve staff members and parties involved in the transformation process.
- Track progress and make required course corrections

A crucial component of any digital transition is changing management.

Change Management Strategies for Digital Transformation

One of the most important areas of focus for guaranteeing a successful transformation is changing management. In essence, modern firms must be able to manage change. They must modify their management techniques in order to achieve this.

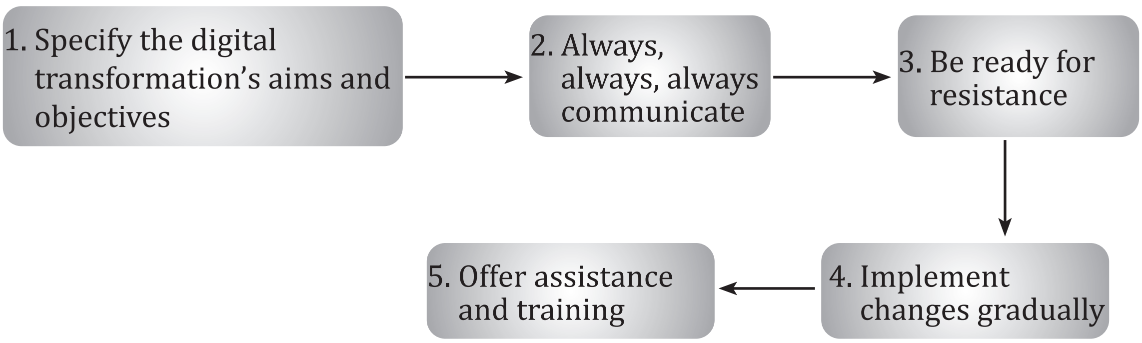
The five best practices for managing change in small and medium-sized businesses are:

Begin at the top	❍ A focused, invested, united leadership that is on the same page about the company's future is reflected in change that begins at the top. ❍ The culture that will motivate the rest of the organisation to accept change can only be generated and promoted in this way.
Ensure that the change is both necessary and desired	❍ The fact that decision-makers are unaware of how to properly handle a digital transformation and the effects it will have on their firm is one of the main causes of this. ❍ If a corporation doesn't have a sound strategy in place introducing too much too fast can frequently become a major issue down the road.
Reduce disruption	❍ Employee perceptions of what is required or desirable change can differ by department, rank, or performance history. ❍ It's crucial to lessen how changes affect staff. ❍ The introduction of new tactics or technologies intended to improve management and corporate operations causes employee concern about change. **It is possible to reduce workplace disruption by:** (*a*) Getting the word out early and preparing for some interruption. (*b*) Giving staff members the knowledge and tools, they need to adjust to change. (*c*) Creating an environment that encourages transformation or change. (*d*) Empowering change agents to provide context and clarity for changes, such as project managers or team leaders. (*e*) Ensuring that IT department is informed of changes in technology or infrastructure and is prepared to support them.

Encourage communication	❍ Create channels so that workers may contact you with queries or complaints. ❍ Encourage departmental collaboration to propagate ideas and innovations as new procedures take root. ❍ Communication promotes efficiency and has the power to influence culture, just like your vision. ❍ The people who will be affected the most by these changes are reassured that they are not in danger through effective communication, which keeps everyone on the same page.
Recognize that change is the norm, not the exception	❍ Change readiness may be defined as "the ability to continuously initiate and respond to change in ways that create advantage, minimize risk, and sustain performance." ❍ In order to keep up with the customers, businesses must also adapt their operations. ❍ They must prepare for change in advance and expect them. ❍ It may run into difficulties because change is not a project but rather an ongoing process.

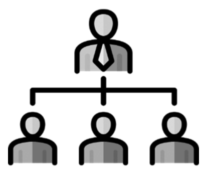
How to manage change during transformation?

Any organisation may find the work of digital transformation challenging and overwhelming. To ensure that a digital transition is effective, change management is essential. Here are some pointers for navigating change during the digital transformation:

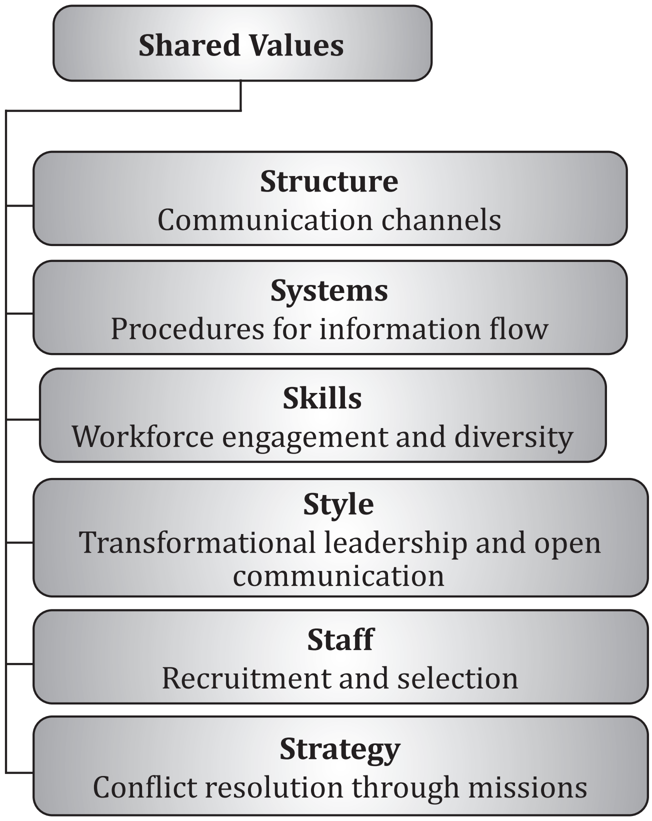


Organizational Framework

The **McKinsey 7S Model refers** to a tool that analyses a company's "organizational design."



- The McKinsey 7s Model focuses on how the "Soft Ss" and "Hard Ss" elements are interrelated, suggesting that modifying one aspect might have a ripple effect on the other elements in order to maintain an effective balance.



Hard elements are:

Strategy: What steps does the company intend to take to address current and futures challenges?

Structure: How is work divided, how do different departments work and collaborate?

Systems: Which formal and informal processes is the company's structure based on?

Soft elements are:

Shared Values: What is the idea the organization subscribes to? Is this idea communicated credibly to others?

Staff: This element refers to employee's development and relevant processes, performances and feedback programs etc.

Skill: What is the company's base of skills and competencies?

Style: This depicts the leadership style and how it influences the strategic decisions of the organization.

The **Hard elements are directly controlled** by the management. The following elements are the hard elements in an organization.

Strategy	The direction of the organization, a blueprint to build on a core competency and achieve competitive advantage to drive margins and lead the industry.
Structure	Depending on the availability of resources and the degree of centralisation or decentralization that the management desires, its choses from the available alternatives of organizational structures.
Systems	The development of daily tasks, operations and teams to execute the goals and objectives in the most efficient and effective manner. The Soft elements are difficult to define as they are more governed by the culture. But these soft elements are equally important in determining an organization's success as well as growth in the industry. The following are the soft elements in this model;
Shared Values	The core values which get reflected within the organizational culture or influence the code of ethics of the management.
Style	This depicts the leadership style and how it influences the strategic decisions of the organisation. It also revolves around people motivation and organizational delivery of goals.
Staff	The talent pool of the organisation.

Skills	The core competencies or the key skills of the employees play a vital role in defining the organizational success. But like any other strategic model, this model has its limitations as well; ❍ It ignores the importance of the external environment and depicts only the most crucial elements within the organization. ❍ The model does not clearly explain the concept of organizational effectiveness or performance. ❍ The model is considered to be more static and less flexible for decision making. ❍ It is generally criticized for missing out the real's gaps in conceptualization and execution of strategy.

Organization Structure

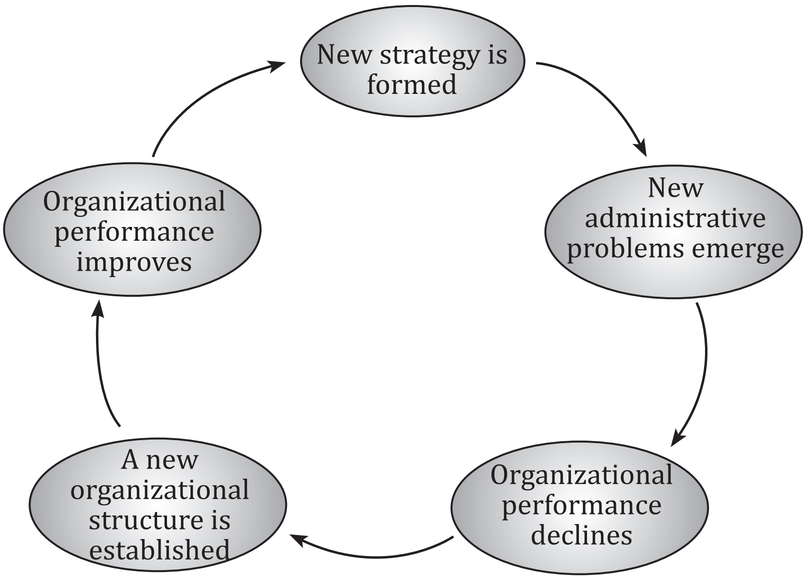
The ideal organizational structure is a place where ideas filter up as well as down, where the merit of ideas carries more weight than their source, and where participation and shared objectives are valued more than executive order. - Edson Spencer

Changes in corporate strategy often require changes in the way an organization is structured for **two major reasons**.

First	Second
❍ Structure largely dictates how operational objectives and policies will be established to achieve the strategic objectives. ❍ Objectives and policies are stated largely in terms of products in an organization whose structure is based on product groups. ❍ The structural format for developing objectives and policies can significantly impact all other strategy-implementation activities.	❍ Structure dictates how resources will be allocated to achieve strategic objectives. ❍ If an organization's structure is based on customer groups, then resources will be allocated in that manner. ❍ Similarly, if an organization's structure is set up along functional business lines, then resources are allocated by functional areas.

Chandler, changes in strategy lead to changes in organizational structure. Chandler found a particular structure sequence to be often repeated as organizations grow and change strategy over time. There is no one optimal organizational design or structure for a given strategy.

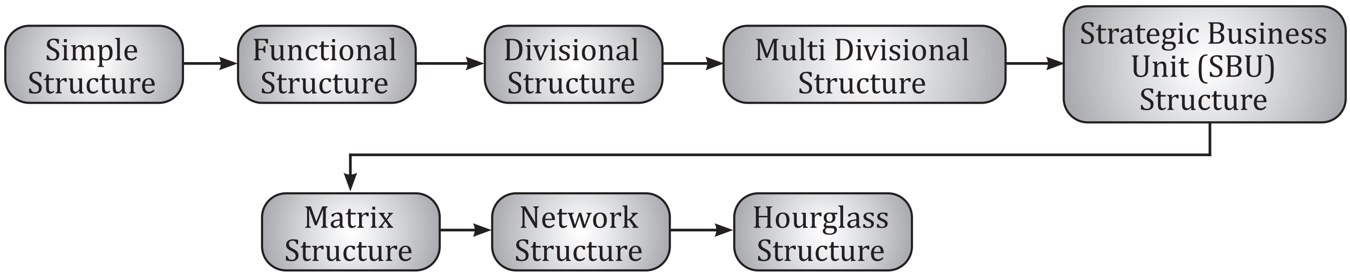
- Small firms tend to be functionally structured (centralized).
- Medium-size firms tend to be divisionally structured (decentralized).
- Large firms tend to use an SBU (strategic business unit) or matrix structure.



- Every firm is influenced by numerous external and internal forces. But no firm can change its structure in response to each of these forces, because to do so would lead to chaos. However, when a firm changes its strategy, the existing organizational structure may become ineffective.
- Structure can also influence strategy.
- The following basic types of organizational structure: functional, divisional by geographic area, divisional by product, divisional by customer, divisional process, strategic business unit (SBU), and matrix.

Types of Organization Structure

- Organizational structure is the company's formal configuration of its intended roles, procedures, governance mechanisms, authority, and decision-making processes.
- The most important issue is that the company's structure must be congruent with or fit with the company's strategy.



A. Simple structure

Simple organizational structure is most appropriate for companies that follow a single-business strategy and offer a line of products in a single geographic market.

Appropriate for companies implementing focused cost leadership or focused differentiation strategies.

A simple organizational structure may result in competitive advantages for some small companies relative to their larger counterparts. These potential competitive advantages include a broad-based openness to innovation, greater structural flexibility, and an ability to respond more rapidly to environmental changes. However, if they are successful, small companies grow larger.

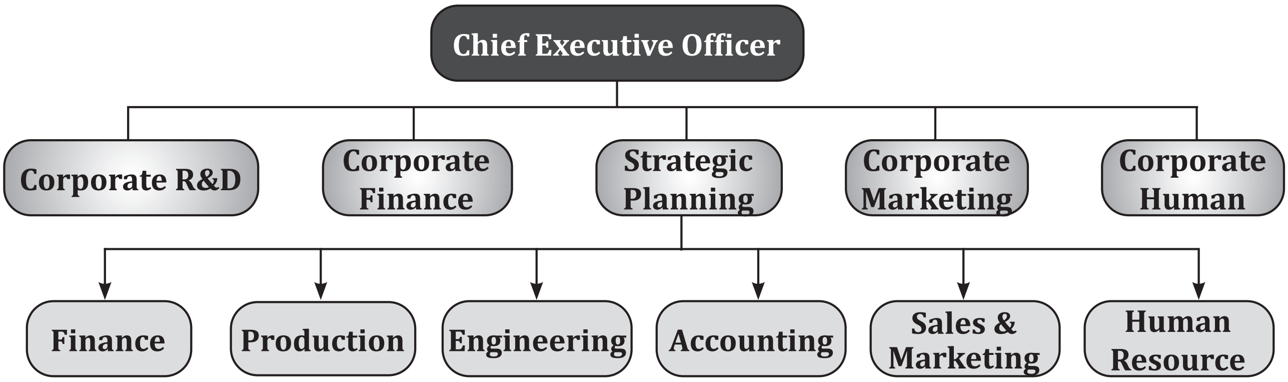
Generally, there are significant increases in the amount of competitively relevant information that requires processing. More extensive and complicated information-processing requirements place significant pressures on owner-managers (often due to a lack of organizational skills or experience or simply due to lack of time).

Thus, it is incumbent on the company's managers to recognise the inadequacies or inefficiencies of the simple structure and change it to one that is more consistent with company's strategy.

B. Functional Structure

A widely used structure in business organisations is functional type because of its simplicity and low cost.

A functional structure also promotes specialization of labour, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision making.



The functional structure consists of a chief executive officer or a managing director and supported by corporate staff with functional line managers in dominant functions such as production, financial accounting, marketing, R&D, engineering, and human resources.

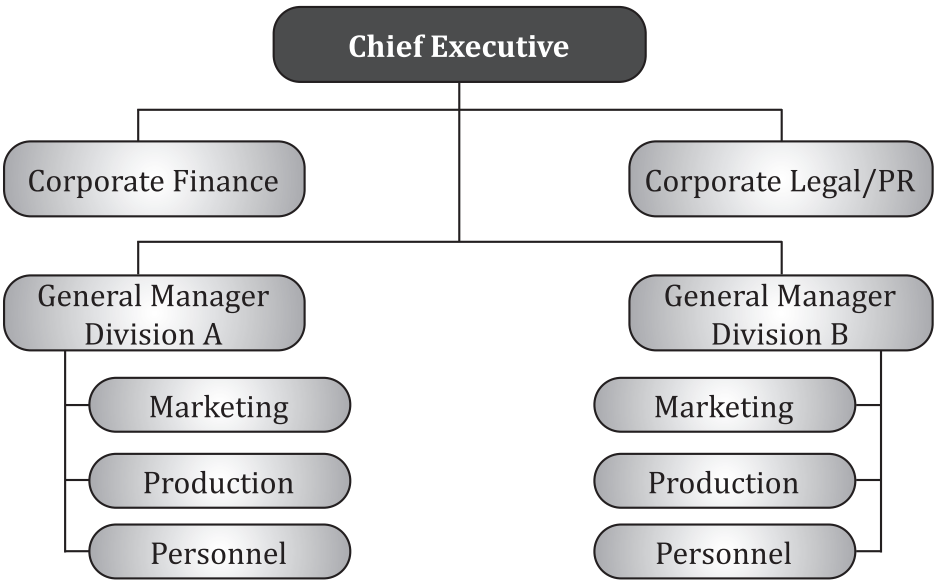
The functional structure enables the company to overcome the growth-related constraints of the simple structure, enabling or facilitating communication and coordination.

However, compared to the simple structure, there also are some potential problems. Differences in functional specialization and orientation may impede communications and coordination.

Functional specialists often may develop a myopic (or narrow) perspective, losing sight of the company's strategic vision and mission. When this happens, this problem can be overcome by implementing the multidivisional structure.

C. Divisional Structure

The divisional structure can be organized in one of the four ways: **by geographic area, by product or service, by customer, or by process.**



A divisional structure has **some clear advantages**.

First	Accountability is clear. That is, divisional managers can be held responsible for sales and profit levels. Employee morale is generally higher in a divisional structure than it is in centralized structure.
Second	The divisional design are that it creates career development opportunities for managers, allows local control of local situations, leads to a competitive climate within an organization, and allows new businesses and products in be added easily.

The divisional design is not without some limitations.

Perhaps the most important limitation is that a divisional structure is costly, for a number of reasons.

1.

- Each division requires functional specialists who must be paid.

2.

- There exists some duplication of staff services, facilities, and personnel; for instance, functional specialists are also needed centrally (at headquarters) to coordinate divisional activities.

3.

- Managers must be well qualified because the divisional design forces delegation of authority better-qualified individuals requires higher salaries.
- A divisional structure can also be costly because it requires an elaborate, headquarters-driven control system.

4.

- Certain regions, products, or customers may sometimes receive special treatment, and it may be difficult to maintain consistent, companywide practices.

A divisional structure by geographic area allows local participation in decision making and improved coordination within a region.

The divisional structure by product (or services) is most effective for implementing strategies when specific products or services need special emphasis. The divisional structure allows strict control over and attention to product lines, but it may also require a more skilled management force and reduced top management control.

E.g:- General Motors, DuPont, and Procter & Gamble use a divisional structure by product to implement strategies.

This structure allows an organization to cater effectively to the requirements of clearly defined customer groups.

E.g.:- Book-publishing companies often organize their activities around customer groups such as colleges, secondary schools, and private commercial schools. Some airline companies have two major customer divisions: passengers and freight or cargo services. Bulks are often organised in divisions such as personal banking corporate banking, etc.

A divisional structure by process is similar to a functional structure, because activities are organized according to the way work is actually performed. However, a key difference between these two designs is that functional departments are not accountable for profits or revenues, whereas divisional process departments are evaluated on these criteria.

D. Multi Divisional Structure

Multidivisional (M-form) structure is composed of operating divisions where each division represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers.

The corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.

Multidivisional or M-form structure was developed in the **1920s**, in response to coordination and control-related problems in large firms. Costs were not allocated to individual products, so it was not possible to assess an individual product's profit contribution.

Loss of control meant that optimal allocation of firm resources between products was difficult (if not impossible). Top managers became over- involved in solving short-run problems (such as coordination, communications, conflict resolution) and neglected long-term strategic issues.

Multidivisional structure calls for:

- Creating separate divisions, each representing a distinct business
- Each division would house its functional hierarchy,
- Division managers would be given responsibility for managing day-to-day operations;
- A small corporate office that would determine the long-term strategic direction of the firm and exercise overall financial control over the semi- autonomous divisions.

Strategic control refers to the operational understanding by corporate officers of the strategies being implemented within the firm's separate business units.

An increase in diversification strains corporate officers' abilities to understand the operations of all of its business units and divisions are then managed by financial controls, which enable corporate officers to manage the cash flow of the divisions through budgets and an emphasis on profits from distinct businesses.

E. Strategic Business Unit (SBU) Structure

SBU concept is relevant for multiproduct, multi –business enterprise. It is a scientific grouping of related businesses/ divisions which can be planned independently. A strategic business unit (SBU) structure consists of at least three levels, with a

(*a*) corporate headquarters at the top,

(*b*) SBU groups at the second level, and

(*c*) divisions grouped by relatedness within each SBU at the third level.

When number of products become huge, it is not practical to provide separate strategic treatment to each product.

It is necessary to group product/businesses into manageable number of strategically related businesses.

The three most important characteristics of a SBU are:

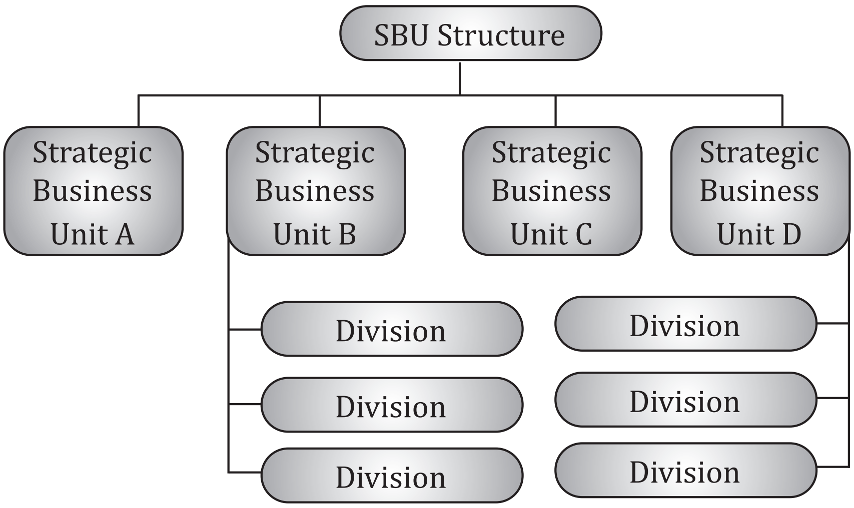
- It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly standalone from the rest of the organization.
- It has its own set of competitors.
- It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.

When strategic planning was carried out treating territories as the units for planning, it gave rise to two kinds of difficulties:

(i) Since a number of territorial units handled the same product, the same product was getting varied strategic planning treatments; and

(ii) Since a given territorial planning unit carried different and unrelated products, products with dissimilar characteristics were getting identical strategic planning treatment.

The SBU structure groups similar products into strategic business units and delegates authority and responsibility for each unit to a senior executive who reports directly to the chief executive officer. This change in structure can facilitate strategy implementation by improving coordination between similar divisions and channelling accountability to distinct business units.



A strategic business unit (SBU) structure consists of at least three levels, with a corporate headquarters at the top, SBU groups at the second level, and divisions grouped by relatedness within each SBU at the third level. Within each SBU, divisions are related to each other, as also that SBU groups are unrelated to each other. Within each SBU, divisions producing similar products and/or using similar technologies can be organised to achieve synergy.

E.g:- Sony has been restructuring to match the SBU structure with its ten internal companies as organised into four strategic business units. Because it has been pushing the company to make better use of software products and content (e.g., Sony's music, films and games) in its televisions and audio gear to increase Sony's profitability. By its strategy, Sony is one of the few companies that have the opportunity to integrate software and content across a broad range of consumer electronics products.

The principle underlying the grouping is that all related products-related from the standpoint of "function"-should fall under one SBU. The concept provides the right direction to strategic planning by removing the vagueness and confusion often experienced in such multi-business enterprises in the matter of grouping of the businesses.

F. Matrix Structure

Matrix structure is an O.S. where functional and projects/ products are combined simultaneously. It aims at combining advantages of vertical and horizontal flow of authority and communication.

In matrix structure, there are functional departments with permanent employees who are assigned to work in different projects.

So, employees have two superiors i.e., a product/ project manager and functional manager. The "home" department - that is, engineering, manufacturing, or marketing - is usually functional & is reasonably permanent. People from these functional units are assigned temporarily to one or more product units or projects.

Matrix structure is the most complex structure since there is both vertical & horizontal flow of authority.

It is appropriate when management concludes that other forms of Organisation Structure is not right for implementation of strategy.

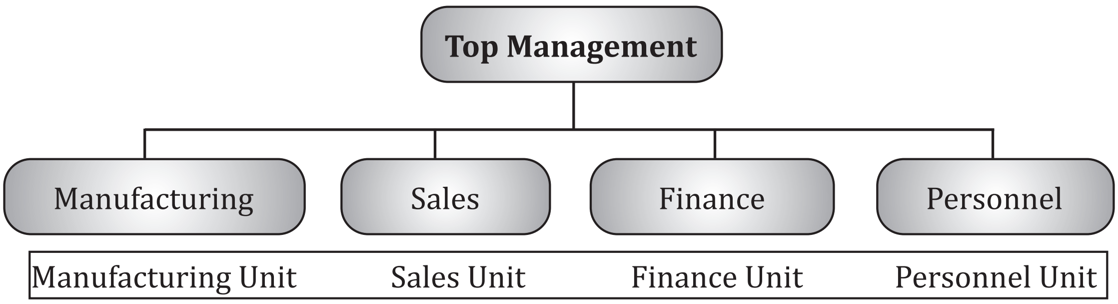
It is often found in an organization or within an SBU when the following three conditions exist:

(i) ideas need to be cross fertilized across projects or products,

(ii) resources are scarce, and

(iii) abilities to process information and to make decision needs to be improved.

It is widely used in many industries, including construction, healthcare, research and defence.



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(2) Resources are scarce and

(3) Abilities to process information and to make decisions need to be improved.

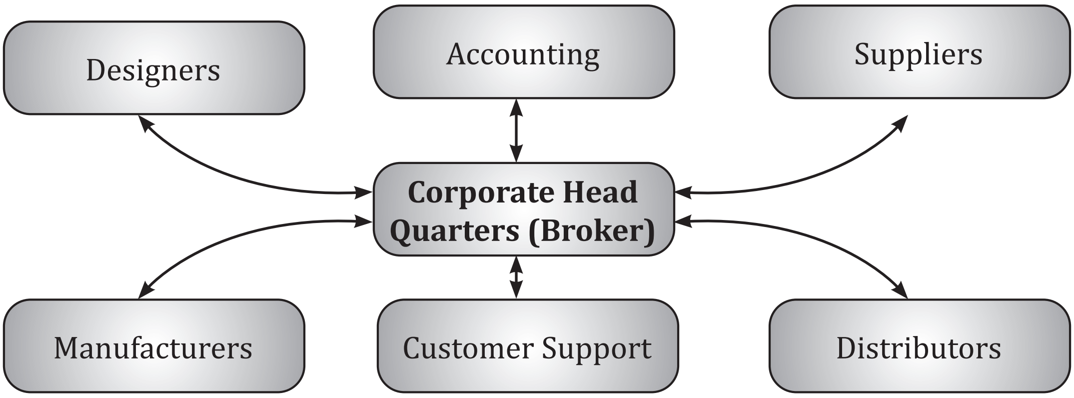
For development of matrix structure Davis and Lawrence, have proposed three distinct phases:

1. **Cross-functional task forces:** Temporary cross-functional task forces are initially used when a new product line is being introduced. A project manager is in charge as the key horizontal link.
2. **Product/brand management:** If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins. In this arrangement, function is still the primary organizational structure, but product or brand managers act as the integrators of semi-permanent products or brands.

3. **Mature matrix:** The third and final phase of matrix development involves a true dual-authority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager. Functional and product managers have equal authority and must work well together to resolve disagreements over resources and priorities.

However, the matrix structure is not very popular because of difficulties in implementation and trouble in managing.

G. Network Structure



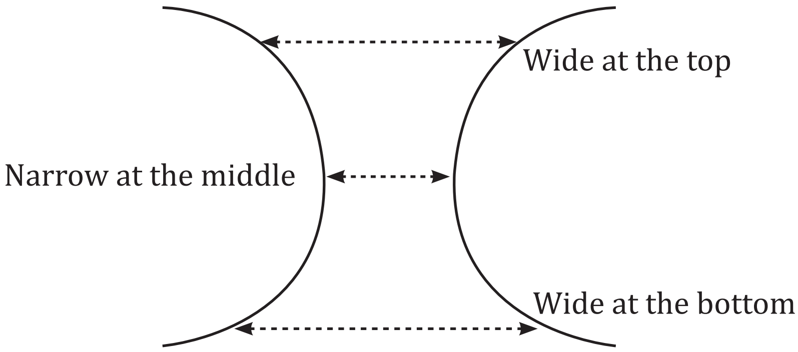
- A corporation organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweblike networks.
- The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so.
- The organization is, in effect, only a shell, with a small headquarters acting as a "broker", electronically connected to some completely owned divisions, partially owned subsidiaries, and other independent organisation. In its ultimate form, the network organization is a series of independent firms or business units linked together by a common system that designs, produces, and markets a product or service.

Advantages	Disadvantages
❍ Allows a company to concentrate on its own competencies & outsourcing of other functions to experts in their field. ❍ It provides more flexibility and adaptability to meet/face rapid change in technology, taste and preferences. ❍ Most useful when environment of a Firm is unstable.	❍ Availability of numerous partners can be a source of trouble. ❍ Outsourcing of functions may keep the Firm away from discovering any synergies. ❍ If a Firm overspecializes in only few functions, there is a risk of choosing the wrong function and thus becoming non- competitive. ❍ Low employee morale.

H. Hourglass Structure

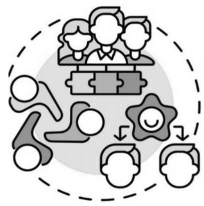
- The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers with constricted middle layer. The structure has a short and narrow middle-management level.

- Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower-level activities. Contrary to traditional middle level managers who are often specialist, the managers in the hourglass structure are generalists and perform wide variety of tasks.



Advantages	Disadvantages
❍ Reduced cost due to reduction of middle level management posts. ❍ Enhanced responsiveness by simplifying decision making. ❍ Decision making authority is close to source of information, so it's faster.	(a) Since size of middle management is reduced, promotion opportunity for lower-level managers is also reduced. (b) Lower employee morale at lower level due to monotony.

Organization Culture



Every organisation has **a unique organizational culture**. It has its own philosophy and principles, its own history, values, and rituals, its own ways of approaching problems and making decisions, its own work climate.

Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating, and internal work environment.

Where Does Corporate Culture Come From?

It is reflected or manifested comes from

- Official policies and practices
- Ethical standards
- Management practices
- Dealing with stakeholders i.e, relationship with employees, shareholders, vendors, trade union, Government etc.
- Employee's attitude and behaviour
- Legends people repeat about in organization
- Peer pressure that exists in organization.

All the above sociological factors combine to form corporate culture.

Culture: ally or obstacle to strategy execution?

An organization's culture is either an important contributor or an obstacle to successful strategy execution. The beliefs, vision, objectives, and business approaches and practices underpinning a company's strategy may or may not be compatible with its culture.

Role of culture in strategy execution

- Strong culture promotes good strategy execution when there's fit and impedes execution when there's negligible fit.
- Every company has a culture that has powerful influence on behaviour of managers. Culture dictates not only the way managers behave within the organization but also decisions they take.

E.g:- A culture where frugality and thrift are values strongly shared by organizational members is very conducive to successful execution of a low-cost leadership strategy.

  - A culture built around such business principles as
  - listening to customers,
  - encouraging employees to take pride in their work, and
  - giving employees a high degree of decision-making authority is very conducive
  - to successful execution of a strategy of delivering superior customer value.

- A strong strategy-supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution; it provides structure, standards, and a value system in which to operate; and it promotes strong employee identification with the company's vision, performance targets, and strategy.
- Employees are motivated to take challenging work to realize company's vision & do their work competently.

Perils of Strategy-Culture Conflict	Creating a strong fit between strategy and culture
The culture has to be changed as rapidly as can be managed this, of course, presumes that it is one or more aspects of the culture that are out of whack rather than the strategy. Correcting a strategy- culture conflict can occasionally mean revamping strategy to produce cultural fit, more usually it means revamping the mismatched cultural features to produce strategy fit. A sizable and prolonged strategy-culture conflict weakens and may even defeat managerial efforts to make the strategy work.	The strategy maker's responsibility to select a strategy compatible with the "sacred" or unchangeable parts of prevailing corporate culture. Strategy implementer's task, once strategy is chosen, to change whatever facets of the corporate culture hinder effective execution.

Changing a problem culture:

Changing a problem culture is **very difficult** because of the heavy anchor of deeply held values and habits-people cling emotionally to the old and familiar.

It takes combined management efforts over a point of time to replace unhealthy culture with healthy culture or remove unwanted aspects of problem culture and in still those which are more supportive.

First Step: Diagnose which facets of the present culture are strategy supportive and which are not.

Second Step: Managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.

Third Step: The talk has to be followed swiftly by visible aggressive action to identify and modify the culture to create right strategy-culture fit.

- The culture-changing actions includes
  - Revising policies and procedures;
  - Altering incentive compensation (to reward the desired cultural behaviour);
  - Visibly praising and recognizing people who display the new cultural traits, Recruiting and hiring new managers and employees;
  - Replacing key executives who are strongly associated with the old culture, &
  - Communicate the need and benefits to employees.

Strategic Leadership

A leader is best when people barely know he exists, when his work is done, his aim fulfilled, they will say: we did it ourselves. **-Lao Tzu**

Strategic leadership sets the **firms direction** by

- Developing and communicating vision of future,
- Formulate strategies in the light of internal and external environment,
- Brings about changes required to implement strategies and
- Inspire the staff to contribute to strategy execution.

Leadership roles to play:

Visionary → chief entrepreneur and strategist → Chief administrator → culture builder → resource acquirer and allocator → capabilities builder → process integrator → crisis manager → spokesperson → negotiator → motivator → Arbitrator, → policy maker → policy enforcer → head cheerleader

A strategic leader is a change agent to initiates strategic changes in the organisations and ensure that the changes successfully implemented.

Five leadership roles to play in pushing for good strategy execution:

Strategic leader is a change agent who ensure that the changes are successfully implemented.

- Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.
- Promoting a culture of esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
- Keeping the Organization responsive to changing situation.
- Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.
- Pushing corrective actions to improve strategy execution and performance.

E.g:- 1. N. R. Narayan Murthy, is known as a celebrated business leader because of the values he had institutionalised over his tenure as CEO of Infosys. One of the great legacies he left with Infosys is a strong management development program that builds management talent and strategic leader with ethical values.

2. Dhirubhai Ambani, pioneer of Reliance Group, was an icon in himself because of his ability to conceptualize and create sweeping strategies, to reach corporate goals, and proficiency in implementing his strategic vision.

Leadership role in implementation: The strategic leaders must be able to use the strategic management process effectively by guiding the company in ways that result in the formation of strategic intent and strategic mission, facilitating the development and implementation of appropriate strategic plans and providing guidance to the employees for achieving strategic goals.

Strategic leadership entails the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessitated by external environment.

Shapes the formulation of ___________________

Competitive landscape, strategic leaders are challenged to adapt their frames of reference so that they can deal with rapid, complex changes.

A manager's frame of reference is the foundation on which a manager's mindset is built. The importance of a manager's frame of reference can be seen if we perceive those competitive battles are not between companies or products but between mindsets or managerial frames.

Effective strategic leaders must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape.

A Strategic leader has several responsibilities, including the following:

Making strategic decisions.	Formulating policies and action plans to implement strategic decision.
Ensuring effective communication in the organisation.	Managing human capital (perhaps the most critical of the strategic leader's skills).
Managing change in the organisation.	Creating and sustaining strong corporate culture,
Sustaining high performance over time.	

The strategic leadership skills of a company's managers represent resources that affect company performance.

Strategic leadership sets the firm's direction by developing and communicating a vision of future and inspire organization members to move in that direction.

Two basic approaches to leadership

Transformational leadership style	Transactional leadership style
It uses charisma and enthusiasm to inspire people to work for good of Organization. **It is appropriate** ❍ In turbulent/ unsafe environment or ❍ In industries at start or end of PLC or ❍ In poorly performing organization. These leaders inspire employees by offering excitement, vision, intellectual stimulation and personal satisfaction. They involve followers in mission and give them vision of higher purpose so as to get more dramatic changes in organization.	It uses the authority of its office to exchange rewards such as pay, status symbols etc. **It is more appropriate** ❍ In static environment, or ❍ In mature industry; or ❍ In organizations that are performing well. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement and non-achievement. These leaders try to build on existing culture and enhance current practices.

Strategic Control

Controlling is one of the important functions of management and is often regarded as the core of the management process.

It involves monitoring the activity, measuring results against predefined standards, analysing & correcting deviation as necessary & adapting the system.

It is a function intended to regulate & check and ensure that performance of planned activities achieve pre-determined goals.

The process of control has the following elements:

(*a*) Objectives of the business system which could be operationalized into **measurable and controllable standards**.

(*b*) A mechanism for monitoring and measuring the performance of the system.

(*c*) A mechanism,

  (i) for comparing the actual results with reference to the standards

  (ii) for detecting deviations from standards and

  (iii) for learning new insights on standards, themselves.

(*d*) A mechanism for feeding back information for taking corrective actions in order to ensure the strategy is relevant & goals are achieved.

Primarily there are three types of organizational control, viz., operational control, management control and strategic control.

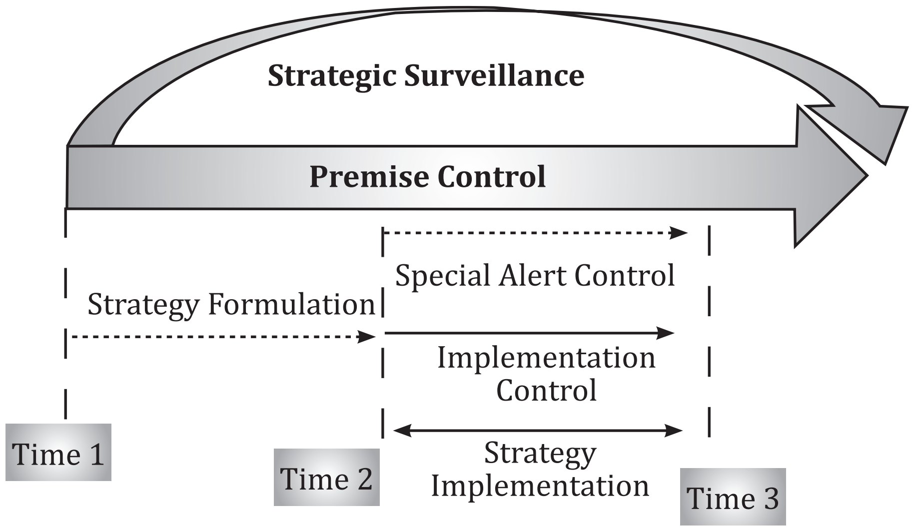
Operational Control ⇨ Management Control ⇨ Strategic Control

Operational Control	It is concerned with individual task or transaction as against total management functions. One of the ways to identify operational control area is there should be clear cut & measurable relationship between input & output. It ensures that processes are regulated within certain 'tolerances' limit. **E.g:-** Stock control (maintaining stocks between set limits), Production control (manufacturing to set programmes), Quality control (keeping product quality between agreed limits), Cost control (maintaining expenditure as per standards), Budgetary control (keeping performance to budget).
Management Control	It is concerned with integrated activities of a complete department, division or even organization. It is more aggregative & inclusive than operational control. It is a process by which management ensure that resources obtained are used effectively and efficiently to achieve objectives. **E.g:-** Inventory management
Strategic Control	According to **Schendel and Hofer** "Strategic control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended." It is directed towards identifying problems and changes in premises and making necessary adjustments.

Types of Strategic Control:

Premise Control → Strategic Surveillance → Special Alert Control → Implementation Control

Premise Control	Strategies are based on certain assumptions & premises with related to environment in which they operate. Such premises may not remain valid over a period of time. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built. **It primarily involves monitoring two types of factors:** (i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and legal-regulatory. (ii) Industry factors such as competitors, suppliers, substitutes. verify the validity & accuracy of the premise based on which strategy was formed. It is neither feasible nor desirable to control all types of premises in same manner.
Strategic Surveillance	It is unfocussed and involves general monitoring of environment & various sources of information like financial newspaper business magazines etc. to uncover unanticipated information which may affect the strategy. Known as loose form of strategic control. Strategic surveillance may be loose form of strategic control but is capable of uncovering information relevant to the strategy.
Special Alert Control	Unexpected events like natural calamity, terrorist attack, change in government & other such events may force an organization to review & reconsider their strategy. To cope up with such crisis, organizations form a crisis team to handle the situation.
Implementation Control	It assesses need for change in overall strategy as per unfolding events & results of strategy It is not replacement of operational controls. Strategic implementation control is not a replacement to operational control. Unlike operational control, it continuously monitors the basic direction of the strategy. **The two basic forms of implementation control are:** **(i) Monitoring strategic thrusts:** Monitoring strategic thrusts helps managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments. **(ii) Milestone Reviews:** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.



These four strategic controls steer the organisation and its different sub-systems to the right track. They help the organisation to negotiate through the turbulent and complex environment.

Strategic Performance Measures

SPM is a method that increases line executives' understanding of an organization's strategic goals and offers a continuous system for tracking progress towards these objectives using clear-cut performance measurements.

SPM helps to eliminate silos by establishing a common language among all divisions of the organisation so they may communicate openly and productively.

Strategic performance measures are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation.

Key performance measures and indicators must be created, selected, combined into reports and acted upon so that strategy implementation can have tangible outcomes.

Firstly
There needs to be a clear cause and effect relationship between the indicators and strategic outcomes.

→

Secondly
KPIs need to be carefully chosen because they will influence the behaviour of people within the organisation.

However, managers should be aware of paralysis by over analysis.

Managing the political aspects of implementing a strategy

People involved in the planning process for the implementation of a strategy may be affected by two sets of forces.

The "rational" forces of openness, communication, and self-analysis can exist on the one hand.

Other hand, there could be political forces concerned with preserving empires and fostering internal rivalry that urge knowledge retention, selective communication, and caution.

When these two techniques conflict, the politically acceptable aspects may end up in the explicit strategy while the sensitive elements may form an unspoken plan that contains the implicit strategy.

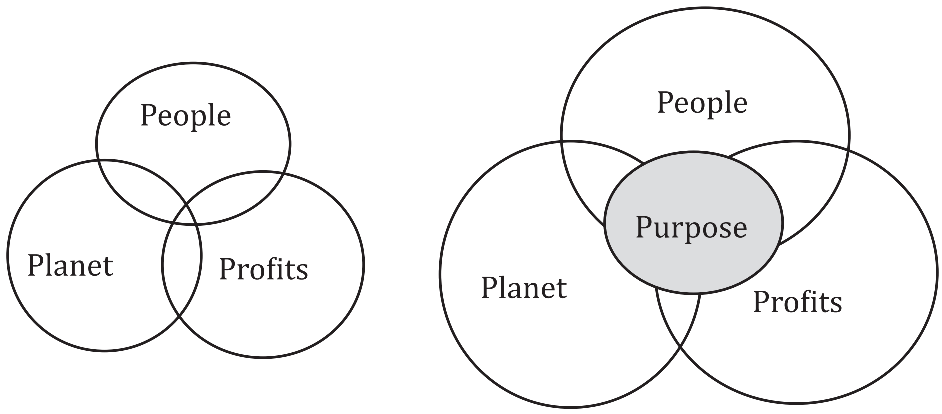
Types of Strategic Performance Measures

There are various types of strategic performance measures, including:

Financial Measures	Financial measures, such as revenue growth, return on investment (ROI), and profit margins, provide an understanding of the organization's financial performance and its ability to generate profit.
Customer Satisfaction Measures	Customer measures, such as customer satisfaction, customer retention, and customer loyalty, provide insight into the organization's ability to meet customer needs and provide high-quality products and services.
Market Measures	Market measures, such as market share, customer acquisition, and customer referrals, provide information about the organization's competitiveness in the marketplace and its ability to attract and retain customers.
Employee Measures	Employee measures, such as employee satisfaction, turnover rate, and employee engagement, provide insight into the organization's ability to attract and retain talented employees and create a positive work environment.
Innovation Measures	Innovation measures, such as research and development (R&D) spending, patent applications, and new product launches, provide insight into the organization's ability to innovate and create new products and services that meet customer needs.
Environmental Measures	Environmental measures, such as energy consumption, waste reduction, and carbon emissions, provide insight into the organization's impact on the environment and its efforts to operate in a sustainable manner.

Toward More Holistic Measures of Strategic Performance

Development of management thought and practice has persistently pushed the frontier of strategic performance beyond financial metrics. Thus, the Triple Bottom Line framework (TBL) emphasises People and Planetary Concerns besides profitability or Economic Prosperity alone. The Quadruple Bottomline adds the 4th P to add a spiritual dimension named 'Purpose'.



The Importance of Strategic Performance Measures Strategic performance measures are essential for organizations for several reasons:

Goal Alignment	Strategic performance measures help organizations align their strategies with their goals and objectives, ensuring that they are on track to achieve their desired outcomes.
Resource Allocation	Strategic performance measures provide organizations with the information they need to make informed decisions about resource allocation, enabling them to prioritize their efforts and allocate resources to the areas that will have the greatest impact on their performance.
Continuous Improvement	Strategic performance measures provide organizations with a framework for continuous improvement, enabling them to track their progress and make adjustments to improve their performance over time.
External Accountability	Strategic performance measures help organizations demonstrate accountability to stakeholders, including shareholders, customers, and regulatory bodies, by providing a clear and transparent picture of their performance.

Choosing the Right Strategic Performance Measures

Organizations should choose strategic performance measures that are aligned with their goals and objectives and that provide relevant and actionable information. In selecting the right measures, organizations should consider the following factors:

Relevance	The measure should be relevant to the organization's goals and objectives and provide information that is actionable and meaningful.
Data Availability	The measure should be based on data that is readily available and can be collected and analysed in a timely manner.
Data Quality	The measure should be based on high-quality data that is accurate and reliable.
Data Timeliness	The measure should be based on data that is current and up-to-date, enabling organizations to make informed decisions in a timely manner. These measures provide a way for organizations to assess the success of their strategies, identify areas for improvement, and make informed decisions about how to allocate resources and adjust their strategies to achieve their desired outcomes.

TEST YOUR KNOWLEDGE – MCQS

1. **_______ leadership style may be appropriate in turbulent environment.**
   (*a*) Transactional (*b*) Transformational
   (*c*) Autocratic (*d*) None of the these
2. **An organizational structure with constricted middle level is:**
   (*a*) Divisional structure
   (*b*) Network structure
   (*c*) Hour Glass structure
   (*d*) Matrix structure

3. You are the head of operations of a company. When you focus on total or aggregate management functions in the sense of embracing the integrated activities of a complete department at all, you are practicing:-

(*a*) Strategic Control
(*b*) Management Control
(*c*) Administrative Control
(*d*) Operations Control

4. Which of the following would be chosen by the core strategist to implement operational control:-

(*a*) Premise control
(*b*) Special Alert control
(*c*) Implementation control
(*d*) Budgetary control

5. Compliance, Identification and Internalization are the three processes involved in:

(*a*) Refreezing
(*b*) Defreezing
(*c*) Changing behaviour patterns
(*d*) Breaking down old attitudes

6. Which one is NOT a type of strategic control?

(*a*) Operational control
(*b*) Strategic surveillance
(*c*) Special alert control
(*d*) Premise control

ANSWER KEY

1.	(b)	**2.**	(c)	**3.**	(b)	**4.**	(d)	**5.**	(c)	**6.**	(a)

TEST YOUR KNOWLEDGE – CASE STUDIES

1. Ramesh, is owner of a popular brand of Breads. Yashpal, his son after completing Chartered Accountancy started assisting his father in running of business. The approaches followed by father and son in management were very different. While Ramesh preferred to use authority and having a formal system of defining goals and motivation with explicitly rewards and punishments, Yashpal believed in involving employees and generating enthusiasm to inspire people to deliver in the organization. Discuss the difference in leadership style of father and son. (SM)

Ans. Ramesh is a follower of transactional leadership style that focuses on designing systems and controlling the organization's activities. Such a leader believes in using authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly.

On the other hand, Yashpal is follower of transformational leadership style. The style uses charisma and enthusiasm to inspire people to exert them from the good of the organization. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

2. **Suresh Sinha has been recently appointed as the head o fa strategic business unit of a large multiproduct company. Advise Mr. Sinha about the leadership role to be played by him in execution of strategy. (SM)**

Ans. Leading change has to start with diagnosing the situation and then deciding which of several ways to handle it. Managers have five leadership roles to play in pushing for good strategy execution:

(*a*) Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.

(*b*) Promoting a culture of esprit de corps that mobilized and energizes organizational members to execute strategy in a competent fashion and perform at a high level.

(*c*) Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.

(*d*) Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.

(*e*) Pushing corrective actions to improve strategy execution and overall strategic performance.

3. **KaAthens Ltd., a diversified business entity having business operations across the globe. The company leadership has just changed as Mr. D Bandopadhyay handed over the pedals to his son Aditya Bandhopadhyay, due to his poor health. Aditya is a highly educated with an engineering degree from IIT, Delhi. However, being very young he is not clear about his role and responsibilities. In your view, what are the responsibilities of Aditya Bandopadhyay as CEO of the company.**

Ans. Aditya Bandopadhyay, an effective strategic leader of KaAthens Ltd. must be able to deal with the diverse and cognitively complex competitive situations that are characterisitic of today's competitive landscape.

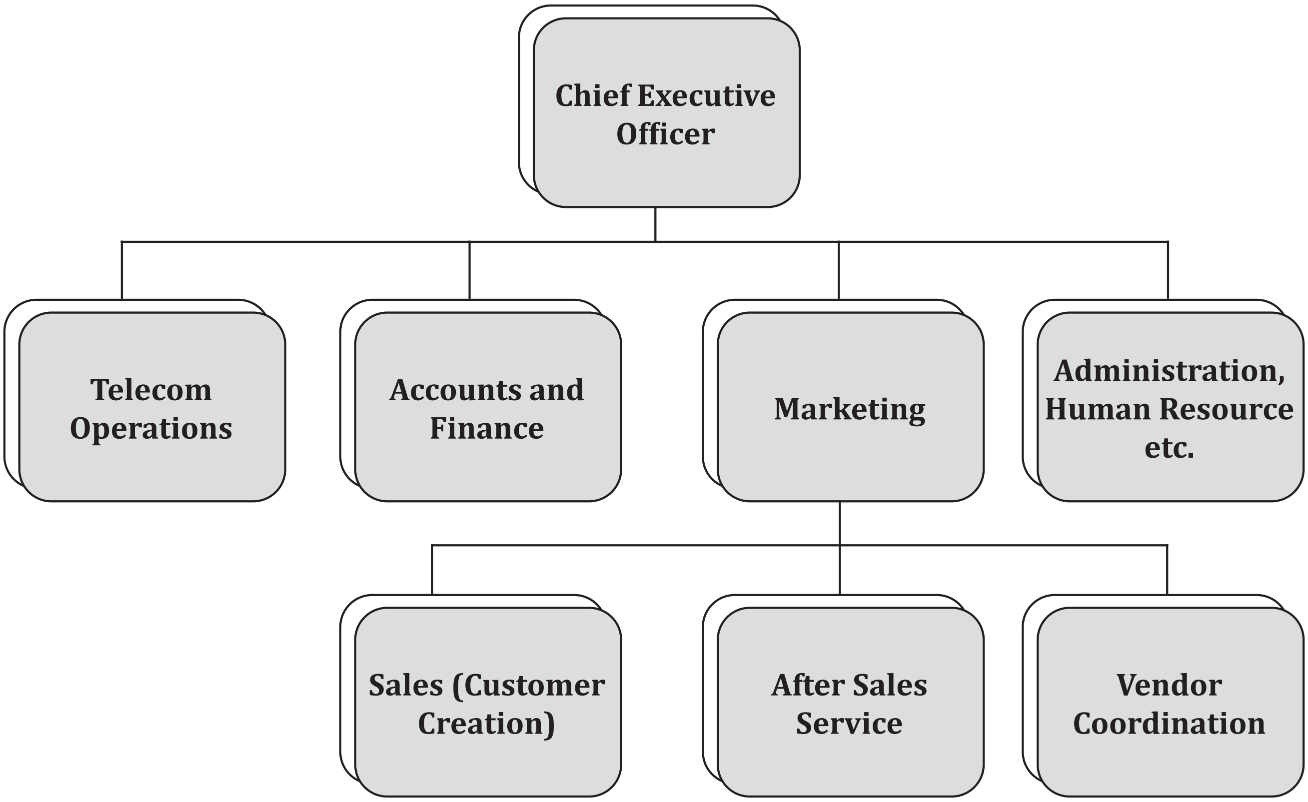
A strategic leader has several responsibilities, including the following:

- Making strategic decisions.
- Formulating policies and action plans to implement strategic decision.
- Ensuring effective communication in the organization.
- Managing human capital (perhaps the most critical of the strategic leader's skills).
- Managing change in the organization.
- Creating and sustaining strong corporate culture.
- Sustaining high performance over time.

4. **Manoj started his telecom business in 2010. Over next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after sales service, coordinate with vendors. Draw the organization structure Manoj implement in his organization and name it.**

Ans. Manoj has started a telecom business. Accounts, Administration, Marketing (customer creation, after sales service, vendor coordination) are the functional areas that are desired in the organisational structure. Further there is inherent need to have a department for the management of telecom services/ operations.

Thus, the functional structure in the telecom business of Manoj can be as follows:



5. Moonlight Private Limited deals in multi-products and multi-businesses. It has its own set of competitors. It seems impractical for the company to provide separate strategic planning treatment to each one of its product or businesses. As a strategic manager, suggest the type of structure best suitable for Moonlight Private Limited and state its benefits.

Ans. It is advisable for Moonlight Private Limited to follow the strategic business unit (SBU) structure. Moonlight Private Limited has a multi-product and multi-business structure where, each of these businesses has its own set of competitors. In the given case, Strategic Business Unit (SBU) structure would best suit the interest of the company.

SBU is a part of a large business organization that is treated separately for strategic management purposes. It is separate part of large business serving product markets with readily identifiable competitors. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interest.

Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units, just as is the case for Moonlight Private Limited. SBU structure becomes imperative in an organization with increase in number, size and diversify.

Benefits of SBUs:

(*a*) Establishing coordination between divisions having common strategic interest.

(*b*) Facilitate strategic management and control.

(*c*) Determine accountability at the level of distinct business units.

(*d*) Allow strategic planning to be done at the most relevant level within the total enterprise.

(*e*) Make the task of strategic review by top executives more objective and more effective.

(*f*) Help to allocate resources to areas with better opportunities.

Thus, an SBU structure with tis set of advantages would be most suitable for the company with the given diverse business having separate identifiable competitors, but a common organizational goal.

6. **Sanya Private Limited is an automobile company. For the past few years, it has been observed that the progress of the company has become stagnant. When scrutinized, it was found that the planning department was performing fairly well but the plans could not be implemented due to improper use of resources, undesirable tendencies of workers and non-conformance to norms and standards. You are hired as a Strategic Manager. Suggest the elements of process of control to overcome the problem.**

Ans. Sanya Private Limited deteriorating performance due to poor implementation of plans that is improper use of resources, undesirable tendencies of the workers, and non-conformance to norms and standards, all point towards weak controls in the organization. Implementation of plans cannot assure results unless strong and sufficient controls are put in place. The management of the company should focus diligently on developing controls especially in the identified problem areas.

The process of control has the following elements:

(*a*) Objective of the business system which could be operationalized into measurable and controllable standards.

(*b*) A mechanism for monitoring and measuring the performance of the system.

(*c*) A mechanism (i) for comparing the actual results with reference to the standards (ii) for detecting deviations from standards and (iii) for learning new insights on standards themselves.

(*d*) A mechanism for feeding back corrective and adaptive information and instructions to the system, for effecting the desired changes to set right the system to keep it on course.

Above elements of control would ensure a proper check on improper use of resources, undesirable tendencies of the workers, and non-conformance to norms and standard and ensure a result oriented implementation of plans.

7. **A Chennai based fast moving consumer goods (FMCG) major CDE Ltd. recently announced restructuring its business. The company indicated that the business would be split into mainly four different streams-FMCG, E-commerce, Retail, and Research & Development. The company management has decided that these four units will operate as separate businesses. The top corporate officer shall delegate responsibility for day-to-day operations and business unit strategy to the concerned managers. Identify the organization structure that CDE Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure. (Dec 2021)**

Ans. CDE Ltd. has planned to implement a Strategic Business Unit (SBU) structure. Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units. SBU structure becomes imperative in an organization with increase in number, size and

The attributes of an SBU and the benefits a firm may derive by using the SBU Structure are as follows:

- A scientific method of grouping the businesses of a multi – business corporation which helps the firm in strategic planning.

- An improvement over the territorial grouping of businesses and strategic planning based on territorial units.
- Strategic planning for SBU is distinct from the rest of businesses. Products/ businesses within an SBU receive the same strategic planning treatment and priorities.
- Each SBU will have its own distinct set of competitors and its own distinct strategy.
- The CEO of SBU will be responsible for strategic planning for SBU and its profit performance.
- Products/businesses that are related from the standpoint of function are assembled together as a distinct SBU.
- Unrelated products/ businesses in any group are separated into separate SBUs.
- Grouping the businesses on SBU lines helps in strategic planning by removing the vagueness and confusion.

8. XYZ Ltd. is an automobile company that offers diversified products for all customer segments. Due to COVID-19, the changes that took place in the economy forced the company to change its strategy. Being the CEO of the company, what stages will you follow for developing and executing the new strategy? (May 2022)

OR

Changes in environmental forces often require businesses to make modifications in their existing strategies. In view of the same explain the areas to be focused while considering concept of strategic change. Also explain the steps to initiate strategic change process. (May 2023)

Ans. Today, India has become the outsourcing hub for many of the global automobile manufacturers. The auto industry comprises four segments which are passenger vehicles, commercial vehicles, three wheelers and two wheelers. XYZ Ltd. is an automobile company that offers diversified products for all customer segments. The company is already in existence, so it has its own vision, mission and a strategy to execute for achieving its vision.

While developing and executing the strategy, XYZ Ltd. might have followed the five-stage managerial process as given below:

1. Developing a strategic vision.
2. Environmental and organizational analysis.
3. Formulation of strategy.
4. Implementing and executing the strategy.
5. Strategic evaluation and control.

But due to COVID-19, the automobile industry has faced the lockdown situation. Changes in the economy forced the XYZ Ltd. to change its existing strategy and prepare the new strategy. The changes in the environmental forces due to COVID-19 requires XYZ Ltd. to make modifications in their existing strategies and bring out new strategies.

For initiating strategic change, three steps can be followed by the CEO of the company which are as under:

(i) Recognize the need for change: This is the first step to diagnose facets of the corporate culture that are strategy supportive or not. This has already been identified by XYZ Ltd.

(ii) Create a shared vision to manage change: Objectives and vision of both individuals and organization should coincide. The CEO of XYZ Ltd. needs to constantly and consistently communicate the vision not only to inform but also to overcome resistance.

(iii) **Institutionalize the change:** Creating and sustaining a different attitude towards change is essential to ensure that the XYZ Ltd. does not slip back into old ways of thinking or doing things. All these changes should be set up as a practice to be followed by the company and be able to transfer from one level to another as a well settled practice.

9. **Due to recurrence of various variants of Coronavirus, LMN Ltd. is facing an unstable environment and it has started unbundling and disintegrating its activities. It also started relying on outside vendors for performing these activities. Identify the organization structure LMN Ltd. is shifting to. Under what circumstances this structure becomes useful? (May 2022)**

Ans. LMN Ltd. is shifting into network structure. It is a newer and somewhat more radical organizational design. The network structure could be termed a "non-structure" as it virtually eliminates in-house business functions and outsources many of them. An organization organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks. The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response.

Instead of having salaried employees, it may contract with people for a specific project or length of time. Long-term contracts with suppliers and distributors replace services that the company could provide for itself through vertical integration. The network structure provides organizations with increased flexibility and adaptability to cope with rapid technological change and shifting patterns of international trade and competition.

TEST YOUR KNOWLEDGE – DESCRIPTIVE QUESTIONS

1. **Define strategic management. Also discuss the limitations of strategic management? (May 2018) (Nov 2022)**

Ans. The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate. The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management.

These can be explained in the following lines:

- **Environment is highly complex and turbulent.** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organizational estimate about its future shape may awfully go wrong and jeopardize all strategic plans. The environment affects as the organization has to deal with suppliers, customers, governments and other external factors.
- **Strategic management is a time-consuming process.** Organizations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
- **Strategic management is a costly process.** Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments, devise strategies and properly implement. These can be really costly for organizations with limited resources particularly when small and medium organizations create strategies to compete.

- **Competition is unpredictable.** In a competitive scenario, where all organizations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

2. Explain different types of strategic control in brief. (May 2018)

OR

"Strategic control focuses on implementation and results produced by the strategy". Explain strategic control along with its different types. (May 2023)

Ans. Strategic Control focuses on the dual questions of whether:

(1) the strategy is being implemented as planned; and

(2) the results produced by the strategy are those intended.

There are four types of strategic control:

(a) Premise control: A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.

(b) Strategic surveillance: Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.

(c) Special alert control: At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/ acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.

(d) Implementation control: Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.

3. Write a short note on strategic change and explain the process of strategic change. (Nov 2018)

Ans. The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

Three steps for initiating strategic change are:

(i) Recognise the need for change – The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not.

(ii) Create a shared vision to manage change – Objectives of both individuals and organizations should coincide. There should be no conflict between them. This is possible only if the management and the organization members follow a shared vision.

(iii) Institutionalize the change – This is an action stage which requires the implementation of the changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of doing things.

Kurt Lewin proposed three stages of the change process for moving the organization from the present to the future.

(i) **Unfreezing the situation –** The process of unfreezing makes the individuals or organizations aware of the necessity for change and prepares them for it. The change should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering,

(ii) **Changing to a new situation –** Once unfreezing is complete and members of the organization recognize the need for change, then their behaviour patterns need to be redefined as:

(a) **Compliance –** Enforcing reward and punishment strategy for good or bad behaviour

(b) **Identification –** Members are psychologically impressed to identify themselves with some given role models whose behaviour they would like to adopt.

(c) **Internalization –** Involves some internal changing of the individual's thought process. They are given the freedom to learn and adopt new behaviour.

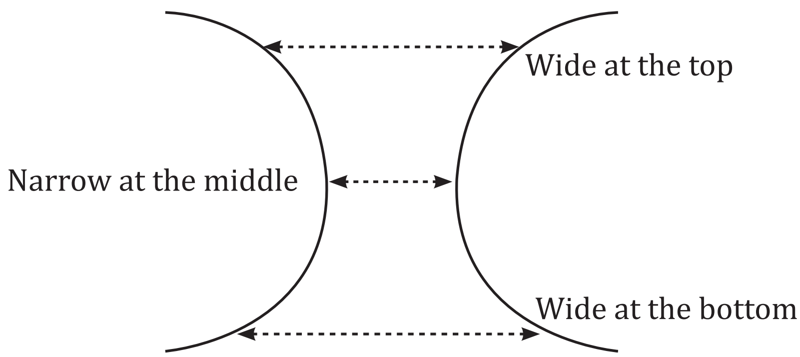
(iii) **Refreezing –** Occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change. This can be achieved by continuously reinforcing the newly acquired behaviour. Change process is not a one-time application but a continuous process due to dynamism and an ever-changing environment.

4. What is an 'hourglass structure'? How can this structure benefit an organization? (May 2019)

Ans. In recent years information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by technological tools. Hourglass organization structure consists of three layers in an organization structure with a constricted middle layer. The structure has a short and narrow middle management level.

Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower-level activities. Hourglass Organization Structure Hourglass structure has obvious benefits of reduced costs. It also helps in enhancing responsiveness by simplifying decision making.

Decision making authority is shifted close to the source of information so that it is faster. However, with the reduced size of middle management, the promotion opportunities for the lower levels diminish significantly.



5. Discuss the leadership role played by the managers in pushing for good strategy execution. (May 2019)

Ans. A strategy manager has many different leadership roles to play: visionary, chief entrepreneur and strategist, chief administrator, culture builder, resource acquirer and allocator, capabilities builder, process integrator, crisis solver, spokesperson, negotiator, motivator, arbitrator, policy maker, policy enforcer, and head cheerleader.

Managers have five leadership roles to play in pushing for good strategy execution:

1. Staying on top of what is happening, closely monitoring progress, working through issues and obstacles.
2. Promoting a culture that mobilizes and energizes organizational members to execute strategy and perform at a high level.
3. Keeping the organization responsive to changing conditions, alert for new opportunities and remain ahead of rivals in developing competitively valuable competencies and capabilities.
4. Ethical leadership and insisting that the organization conduct its affairs like a model corporate citizen.
5. Pushing corrective actions to improve strategy execution and overall strategic performance.

6. What is strategic control? Kindly explain the statement that "premise control is a tool for systematic and continuous monitoring of the environment". (Nov 2020)

Ans. Strategic Control

Strategic control is the process of evaluating formulated and implemented strategy. It is directed towards identifying changes in the internal and external environments of the organization and making necessary adjustments accordingly.

Strategic Control focuses on the dual questions of whether:

(1) the strategy is being implemented as planned; and

(2) the results produced by the strategy are those intended.

Yes, Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.

It primarily involves monitoring two types of factors:

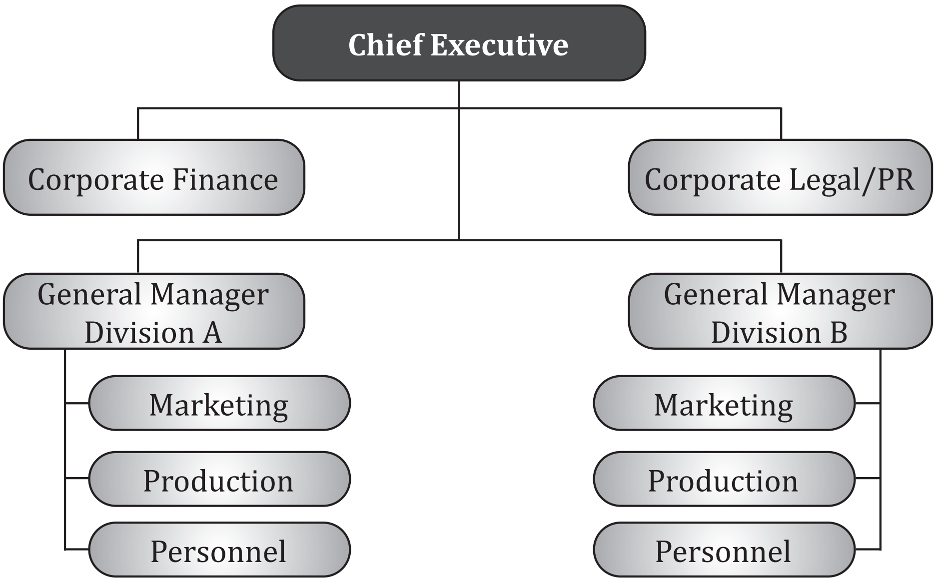
(i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and legal-regulatory.

(ii) Industry factors such as competitors, suppliers, substitutes. It is neither feasible nor desirable to control all types of premises in the same manner. Different premises may require different amounts of control.

Thus, managers are required to select those premises that are likely to change and would severely impact the functioning of the organization and its strategy.

7. Draw 'Divisional Structure' with the help of a diagram. Also, give advantages and disadvantages of this structure in brief. (Nov 2020)

Ans. Divisional structure is that organizational structure which is based on extensive delegation of authority and built on a division basis. The divisional structure can be organized in one of the four ways: by geographic area, by product or service, by customer, or by process. With a divisional structure, functional activities are performed both centrally and, in each division, separately.



Advantages of Divisional Structure

- **Accountability is clear:** Divisional managers can be held responsible for sales and profit levels. Because a divisional structure is based on extensive delegation of authority, managers and employees can easily see the results of their good or bad performances and thus their morale is high.
- **Other advantages:** It creates career development opportunities for managers, allows local control of local situations, leads to a competitive climate within an organization, and allows new businesses and products to be added easily.

Disadvantages of Divisional Structure

- **Higher cost: Owing to following reasons:** (i). requires qualified functional specialists at different divisions and needed centrally (at headquarters); (ii). It requires an elaborate, headquarters –driven control system.
- **Conflicts between divisional managers:** Certain regions, products, or customers may sometimes receive special treatment, and it may be difficult to maintain consistent, company-wide practices.

8. Strategy execution is an operations-oriented activity which involves a good fit between strategy and organisational capabilities, structure, climate & culture. Enumerate the principal aspects of the strategy execution process which are used in most of the situations. (Jan 2021)

Ans. Implementation and execution are an operations-oriented activity aimed at shaping the performance of core business activities in a strategy-supportive manner. To convert strategic plans into actions and results, a manager must be able to direct organisational change, motivate people, build and strengthen company's competencies and competitive capabilities, create a strategy -supportive work culture, and meet or beat performance targets. Good strategy execution involves creating strong "fits" between strategy and organisational capabilities, structure, climate & culture.

In most situations, strategy-execution process includes the following principal aspects:

1. Developing budgets that steer ample resources into those activities critical to strategic success.

2. Staffing the organisation with the needed skills and expertise, consciously building and strengthening strategy-supportive competencies and competitive capabilities and organising the work effort.
3. Ensuring that policies and operating procedures facilitate rather than impede effective execution.
4. Using the best-known practices to perform core business activities and pushing for continuous improvement.
5. Installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out.
6. Motivating people to pursue the target objectives energetically.
7. Creating a company culture and work climate conducive to successful strategy implementation and execution.
8. Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution.

When the organisation encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.

9. "Strategic decisions are different in nature than all other decisions." In the light of this statement explain major dimensions of strategic decisions. (July 2021)

Ans. Strategic decisions are different in nature than all other operational decisions. The dimensions of strategic decisions are not similar to that of other decisions which are taken at various levels of the organisation during day-to-day working.

The following major dimensions of strategic decisions make them different from operational decisions:

1. Strategic decisions require top-management decisions. Strategic decisions involve thinking in totality of the organisations and there is also a lot of risk involved in that.
2. Strategic decisions involve the allocation of large amounts of company resources-financial, technical, human etc.
3. Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm.
4. Strategic decisions are future oriented.
5. Strategic decisions usually have major multifunctional or multi-business consequences.
6. Strategic decisions necessitate consideration of factors in the firm's external environment.

10. What are the important aspects of the process of implementation of strategy? (Dec 2021)

Ans. Implementation and execution are an operations-oriented activity aimed at shaping the performance of core business activities in a strategy-supportive manner.

To convert strategic plans into actions and results, a manager must be able to direct organisational change, motivate people, build and strengthen company's competencies and competitive capabilities, create a strategy-supportive work culture, and meet or beat performance targets. Good strategy execution involves creating strong "fits" between strategy and organisational capabilities, structure, climate & culture.

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Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution. When the organisation encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.

11. Strategy formulation and strategy implementation are intertwined and linked with each other." Elucidate this statement with suitable arguments. (May 2022)

Ans. The strategy formulation and strategy implementation are intertwined and linked with each other. Two types of linkages exist between these two phases of strategic management. The forward linkages deal with the impact of strategy formulation on strategy implementation while the backward linkages are concerned with the impact in the opposite direction.

Forward Linkages: The different elements in strategy formulation starting with objective setting through environmental and organisational appraisal, strategic alternatives and choice to the strategic plan determine the course that an organisation adopts for itself. With the formulation of new strategies, or reformulation of existing strategies, many changes have to be affected within the organisation. For instance, the organisational structure has to undergo a change in the light of the requirements of the modified or new strategy. The style of leadership has to be adapted to the needs of the modified or new strategies. In this way, the formulation of strategies has forward linkages with their implementation.

Backward Linkages: Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. Organisations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organisation from where it is to where it wishes to be. It is to be noted that while strategy formulation is primarily an entrepreneurial activity, based on strategic decision- making, the implementation of strategy is mainly an administrative task based on strategic as well as operational decision-making.

12. What do you understand by diversification? Distinguish between concentric and conglomerate diversification. (May 2022)

Ans. Diversification is defined as entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge. Diversification endeavours can be related or unrelated to existing businesses of the firm.

Following are the differences between the concentric diversification and conglomerate diversifications:

Concentric Diversification	Conglomerate Diversification
Meaning: It occurs when a firm adds related products or markets.	**Meaning:** It occurs when a firm diversifies into areas that are unrelated to its current line of business.
Linkage: The new business is linked to the existing businesses through process, technology or marketing.	**Linkage:** Here no such linkages exist; the new business/product is disjointed from the existing businesses/products.
Reasons for pursuing: The most common reason for pursuing a concentric diversification is that opportunities in a firm's existing line of business are available.	**Reasons for pursuing:** The common reason for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.

13. Write short note on Strategic Business Unit (SBU). (Nov 2022)

Ans. SBU is a part of a large business organization that is treated separately for strategic management purposes. It is separate part of large business serving product markets with readily identifiable competitors. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units. SBU structure becomes imperative in an organization with increase in number, size and diversity.

The three most important characteristics of a SBU are:

- It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly standalone from the rest of the organization.
- It has its own set of competitors.
- It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.

Benefits of SBUs:

1. Establishing coordination between divisions having common strategic interest.
2. Facilitate strategic management and control.
3. Determine accountability at the level of distinct business units.
4. Allow strategic planning to be done at the most relevant level within the total enterprise.
5. Make the task of strategic review by top executives more objective and more effective.
6. Help to allocate resources to areas with better opportunities.

Thus, an SBU structure with its set of advantages would be most suitable for the company with the given diverse businesses having separate identifiable competitors, but a common organizational goal.

14. "The TOWS Matrix is a tool for generating strategic options/choices." Do you agree with this statement? How it can help a strategist in decision making? (Nov 2022)

Ans. Yes, TOWS Matrix is a relatively simple tool for generating strategic options. Through TOWS matrix four distinct alternative kinds of strategic choices can be identified.

SO (Maxi-Maxi): Aggressive strategy - SO is a position that any firm would like to achieve. The strengths can be used to capitalize or build upon existing or emerging opportunities.

ST (Maxi-Mini): Conservative strategy - ST is a position in which a firm strives to minimize existing or emerging threats through its strengths.

WO (Mini-Maxi): Competitive strategy - The strategies developed need to overcome organizational weaknesses if existing or emerging opportunities are to be exploited to maximum.

WT (Mini-Mini): Defensive strategy - WT is a position that any firm will try to avoid. An organization facing external threats and internal weaknesses may have to struggle for its survival.

The matrix is outlined below:

Internal External	Strengths – S List Strengths	Weaknesses – W List Weaknesses
Opportunities – O List Opportunities	So, Strategies Use strengths to take advantage of opportunities	WO Strategies Overcoming weaknesses by taking advantage of opportunities
Threats – T List Threats	ST Strategies Use strengths to avoid threats	WT Strategies Minimize weaknesses and avoid threats

By using TOWS Matrix, a strategist can look intelligently at how he can best take advantage of the opportunities opens to him, at the same time that he can minimize the impact of weaknesses and protect himself against threats. Used after detailed analysis of threats, opportunities, strength and weaknesses, it helps the strategist to consider how to use the external environment to his strategic advantage, and so he can identify some of the strategic options available to him.

15. You have been appointed as head of the Strategic Business Unit (SBU) of a large multiproduct company. Explain the leadership roles, you have to play as a manager in pushing for good strategy execution. (May 2023)

Ans. A head of the strategic business unit (SBU) has many different leadership roles to play: visionary, chief entrepreneur and strategist, chief administrator, culture builder, resource acquirer and allocator, capabilities builder, process integrator, crisis solver, spokesperson, negotiator, motivator, arbitrator, policy maker, policy enforcer, and head cheerleader. Managers have five leadership roles to play in pushing for good strategy execution:

1. Staying on top of what is happening, closely monitoring progress, working through issues and obstacles.
2. Promoting a culture that mobilizes and energizes organizational members to execute strategy and perform at a high level.
3. Keeping the organization responsive to changing conditions, alert for new opportunities and remain ahead of rivals in developing competitively valuable competencies and capabilities.
4. Ethical leadership and insisting that the organization conduct its affairs like a model corporate citizen.
5. Pushing corrective actions to improve strategy execution and overall strategic performance.

16. How can you differentiate between transformational and transactional leaders? (SM)

Ans. Refer to notes above.

17. What is strategic change? Explain the change process proposed by Kurt Lewin that can be useful in implementing strategies? (SM)

Ans. Refer to notes above.

18. What are differences between operational control and management control? (SM)

Ans. Refer to notes above.

19. What is implementation control? Discuss its basic forms. (SM)

Ans. Refer to notes above.