Strategy Implementation

Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which objectives, strategies, and policies are put into action through the development of programs, budgets, and procedures. Although implementation is usually considered after strategy has been formulated, implementation is a key part of strategic management. Strategy formulation and strategy implementation should thus be considered as two sides of the same coin.

Who Implements Strategy?

Depending on how a corporation is organized, those who implement strategy will probably be a much more diverse set of people than those who formulate it. In most large, multi-industry corporations, the implementers are everyone in the organization. Vice presidents of functional areas and directors of divisions or strategic business units (SBUs) work with their subordinates to put together large-scale implementation plans. Plant managers, project managers, and unit heads put together plans for their specific plants, departments, and units. Therefore, every operational manager down to the first-line supervisor and every employee is involved in some way in the implementation of corporate, business, and functional strategies.

Many of the people in the organization who are crucial to successful strategy implementation probably had little to do with the development of the corporate and even business strategy.

Therefore, they might be entirely ignorant of the vast amount of data and work that went into the formulation process. Unless changes in mission, objectives, strategies, and policies and their importance to the company are communicated clearly to all operational managers,there can be a lot of resistance and foot-dragging. Managers might hope to influence top management into abandoning its new plans and returning to its old ways. This is one reason why involving people from all organizational levels in the formulation and implementation of strategy tends to result in better organizational performance.

STRATEGY

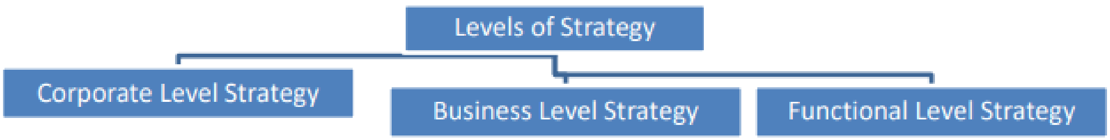
Strategy is a game plan to target a market, conduct operations, satisfy customers and achieve organizational objectives. It lays down organizations' desired goals, direction and destination. Strategy can never be perfect; it is flexible. There are no second best choices in strategies. Strategy is partially proactive and partially reactive.

Proactive actions may include improvement of company's market position and achieving higher growth rate. And reactive actions are important because to know the fresh market conditions and the developments which have not taken place till yet. Strategies are formulated at three different levels:

1. Corporate level strategy

2. Business level strategy

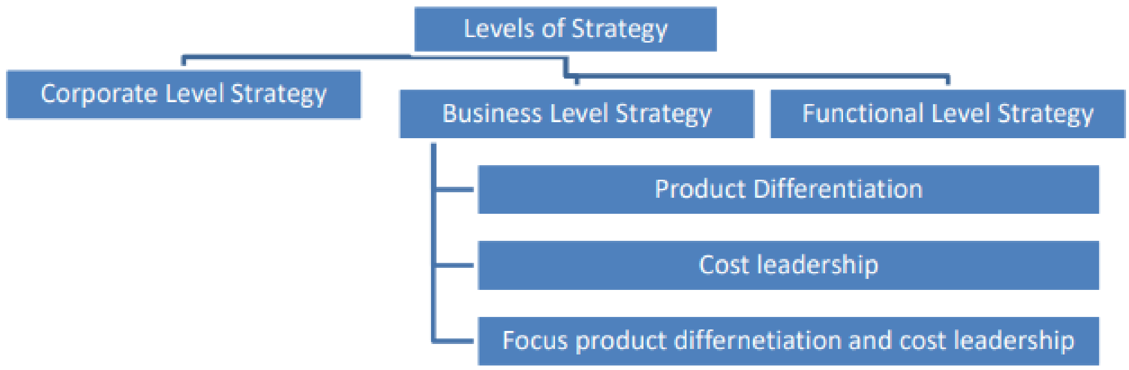
3. Functional level strategy



1.Corporate level strategy or strategy alternatives

Corporate level strategy looks for the development of whole of the organization, beginning with mission, goals, to determining the business plan, resources and finally implementing different strategies in order to achieve a desired goal. Example: Godrej which deals with wide range of businesses like soaps, furniture, edible oil, Information Technology, real estate.

- Business Level strategy deals with translation of goals to form individual businesses.
- Functional Level strategy deals with specific business functions or operations like human resources, product development, customer service etc



Corporate Level Strategy Corporate strategy is strategy which refers to decisions concerning expansion or retrenchment from an industry and also about how the management of a multi-business enterprise can achieve synergies. Three issues addressed are: It helps a company decide where a company should compete, how should it compete and what route would it need to take to achieve the profitability objective i.e. cost leadership or product differentiation. A company through its various strategies should maintain strategic consistency across its strategic business units and make possible cooperation amongst these units in order to not only create value for the stakeholders in these business units but also to maintain a market identity even with a diversified portfolio.

A)Corporate Level Strategy Involves:

• Reach- It defines companygoals, types of business in which companyshould get involved.

• Activities and relationships- It helps in developing a relation by sharing and coordinating with the staff. It helps in investing business units in different units to harmonize different business activities.

• Management practises- Corporates decides how business units are managed by direct corporate intervention or by less government agencies.

b)Different types of corporate level strategies are:

✓ **Stability Strategies:**

It involves 3 strategies which are

❖ No change Strategies
❖ Pause/proceed with caution strategies
❖ Profit strategies

✓ **Cooperative Expansion Strategies**

It involves strategies are

❖ Integration
❖ Diversification
❖ Cooperation
❖ Internationalization

- ✓ **Defensive/ Retrenchment Strategies**

It involves 3 types of investments

- ❖ Turnaround
- ❖ Divestment
- ❖ Liquidation

- ✓ **Combination Strategies**

It involves 3 types of strategies

- ❖ Simultaneous
- ❖ Sequential
- ❖ Combination of both

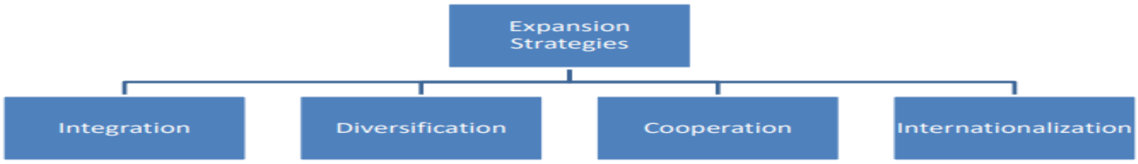
✓ Cooperative Expansion Strategy

Every enterprise wants to expand to avoid risk drowning. Expansion provides ample of opportunities to the enterprise and is important for it. This is possible after achieving fundamentals of expansion. Expansion strategies are made in such a way that they help enterprise to maintain a competitive edge in international market. Hence for successful competition, survival and to flourish, an enterprise has to pursue an expansion strategy. Expansion is an important strategic option that allow the company to fulfill its long term growth objectives. It also help in pursuing significant growth as opposed to slow growth in stability strategy. A cooperative strategy is the attempt by a company is to try and achieve its objectives of expansion but with cooperation through other players either within the same industry or from complimentary or non related industry. The objective of cooperative strategy is to expand by cooperating and working with others rather than working against others. The cooperative strategy allows synergistic use of resources of all the organizations. A cooperative strategy like strategic alliances can offer a company a chance to expand even if does not have a comprehensive portfolio of assets by choosing a partner who does.

There are different ways of expansion of an enterprise in global market

these are

- ❖ Integration (Mergers and Acquisitions)
- ❖ Diversification
- ❖ Cooperation (strategic alliances)
- ❖ Internationalization



❖ Strategic Alliances

- A strategic alliance is defined as a collaboration between the companies or incumbents of an industry or from different industries whereby they agree to share their resources and capabilities inpursuit of sustained competitive advantage and above average rate of return . these are also referred to as cooperative strategies where two or more companies decide to pool in their resources and capabilities to exploit a market opportunity. The companies in this case decide to work with each other to gain competitive advantage rather than work against each other.
- A global company is involved in multiple strategic alliances to compliment the needs of different markets and countries it is present in. for example IBM has formed alliances with Sun Microsystems, SAP, Lenovo, and Cisco, among others. These strategy alliances help IBM deal with threats from different companies and add on to the portfolio its strengths.
- The objective of each specific strategic alliance is unique and specific. It is important to note that strategic alliances are not a uni-directional relationship. The basis of this relationship is the fact that both the parties , who are involved in this relationship, bring something unique to the table. This uniqueness adds to the competitive advantage that the strategic alliance can exploit over the period of time. It is very important in the strategic alliance that all the partners are actively solving problems, are being dependable, and are again and again finding ways to combine their resources and capabilities to create value to gain sustained competitive advantage an above-average returns.

3 types of strategic alliances

A .joint venture:

joint venture is defined as an alliance between two organizations or companies where a the organizations chose to lose their individual identity and form new and independent identity. This new identity which is formed from two or more partners, can boast of a resource and capability pool which consists of best of both the partnering companies. These ventures help companies establish associations which help them pass tactical knowledge about value addition to partners so as to gain competitive advantage and above average rate of return.

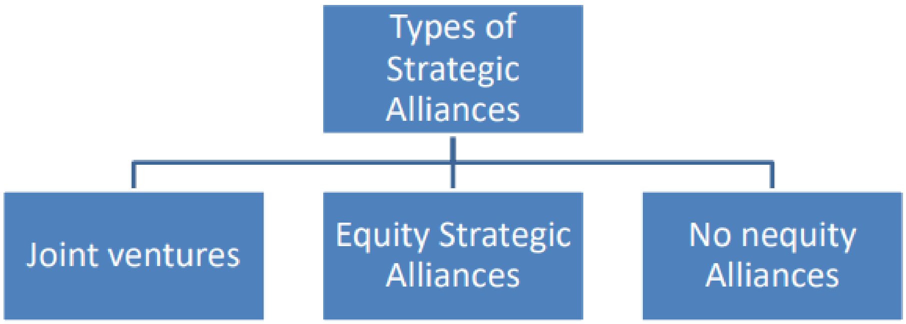
Before commencing of a joint venture the companies checks the following following variables –size of company, business field and activity, abroad investments, structure and ownership strategy of company and many other variables. In joint ventures when two companies come in contract they lay the foundation of a third company which means 1+1=3. The companies share profit and risk equally. The best example of joint venture is Sony Ericsson. Sony was the leading brand in electronics in India and Ericsson was the leading mobile brand of America. Both the companies joined hands to create a third company called Sony Ericsson to provide services in India. Another example of joint venture is Nokia and Microsoft.

B. An Equity Strategic Alliance.

This type of alliance is defined as an alliance where partner companies have unequal shares in the new a venture created. The unique characteristics of the new venture are that it is created by combining resources and capabilities of the partnering firms. For example, Citigroup Inc. has formed a strategic alliance with Shanghai Pudong Development Bank Co.

c. A nonequity strategic alliance

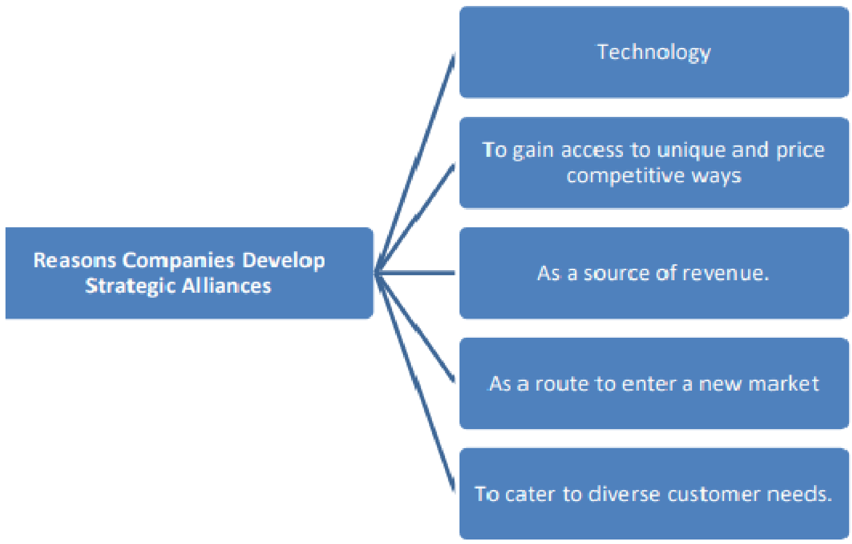
it is defined as a alliance where partnering companies agree to share and leverage their resources and capabilities to gain competitive advantage in the target market. The Main difference between an equity strategic alliance and an non-equity strategic alliance is that in a non equity strategic alliance that the partnering companies do not set up a separate independent company and so don’t take equity positions.



Reasons Companies Develop Strategic Alliances

A company can develop strategic alliances for varied reasons. Some of them have been listed below

1. Technology has be come the basis of competition and at times because of patent or limitation in terms of resources and capabilities companies cannot gain access to these technologies. However, access is important to gaining market success and it is in these scenarios companies contemplate alliances.



2. Many a times companies enter strategic alliances to gain access to unique and price competitive ways of adding value to the market offering. The competition these days is determined by not only understanding the customer needs but also how quickly one can get that need satisfied i.e. cater to the market. Many a times companies find short cuts to the development process by opting for alliances or division of process across partners.

3. As a source of revenue.

4. As a route to enter a new market where a sole entry is not possible or allowed for example china.

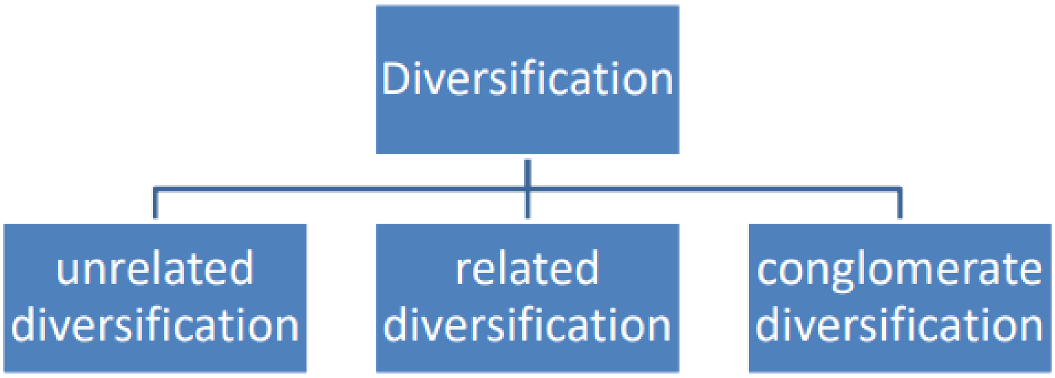
5. Many times companies enter strategic alliances to cater to diverse customer needs and they don't want to loose the customer to competitor so they partner. For example in airline industry not every airline can cater to every route and therefore they partner and form alliances.

❖ DIVERSIFICATION

Diversification is a type of portfolio management in which investor reduces the risk of volatility by investing in various products of company which have very low correlation with each other. The advantage of diversification is that when in a company one product is earning a high profit and other is running in losses it balances or outweighs the negative investment.

Diversification is of three types –

A. Unrelated diversification
B. Related diversification
C. Conglomerate diversification



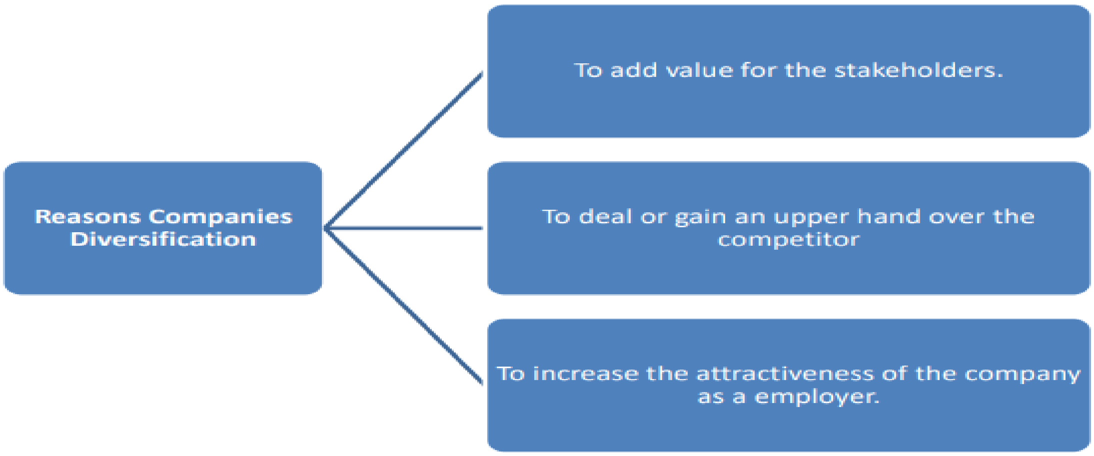
A. **Unrelated Diversification:** Unrelated-diversified (or highly diversified) companies do not share resources or linkages. Companies that pursue u examples- • TATA Group – it have diversified its business from steel to hotels, tatamotors , TCS etc. • AMWAY –it is a beauty and home care products have entered into jewellary.
B. **Related diversification:** A related-diversified company has been defined as the one in which at least 30 percent of its revenues are earned from

sources outside of the dominant business. example • Nestle – for assistance to tomato sauce and ketchup they have introduced maggi.

C. **Conglomerate diversification example** – • General electronics – it have diversified its business in electronics , financial sevices , health care etc. • TATA group – tata group of hotels produces their own amenities, are also in communication.

REASONS FOR DIVERSIFICATION

Companies opt to adopt diversification strategies to add value for the stakeholders. However, more specifically the main purpose of adopting these strategies is to deal or gain an upper hand over the competitor and his market power, to reduce the employment risk by concentrating on product line and also to increase the attractiveness of the company as a employer. It has been established that more diversified is the portfolio of a firm, larger is the size and more is the compensation which enables the firm to attract better talent.

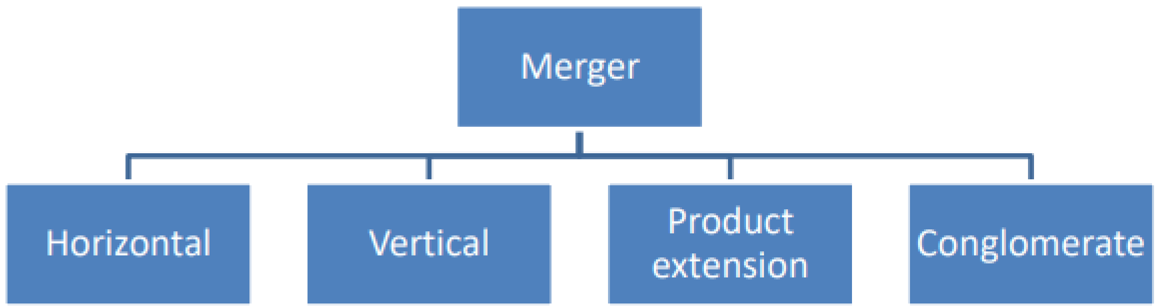


❖ Mergers and Acquisition

If two companies combine their value would more as a single unit rather them different unit. Mergers and acquisitions are done by company to increase their market share and to survive in competitive markets. Mergers and acquisition are two different thing. Merger is when two different company joins hands to create a new venture. For example – Lipton tea and Brooke bond. Where as acquisition refers to overtaking of one entity by other. For example – TATA group acquired Corus 2006 the deal size was $12.98 billion. Legally speaking in merger two companies come in an agreement for the formation of a third company and in acquisition one company takeover all the operational aspects of other company.

Varieties of merger

I. Horizontal merger – two companies with delivering same product and are in direct competition. Example Coke and Pepsi.
II. Vertical merger – two companies which are producing products of one finished product. Example – automobile company joining hands with part supplier.
III. Market extension merger – two companies selling same products in different markets. Example -Eagle Bancshares
IV. Product extension merger – two companies selling different but related products in the same market. Example – Mobilink telecom by broadband.
V. Conglomerate merger – in this there are two companies that does not any common product line. Example – Walt Disney and American Broadcasting

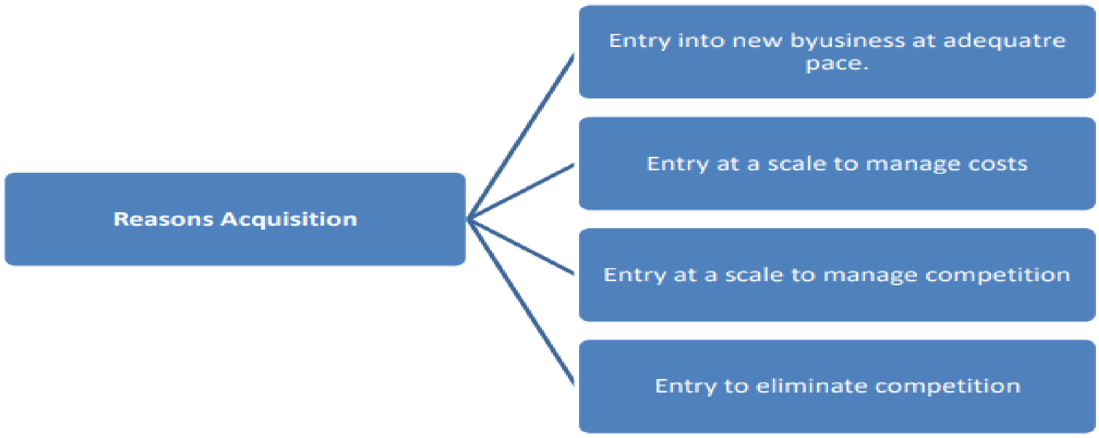


Acquisition

As we have discussed earlier acquisition refers to overtaking the company and its operational aspects of the company. For example, Flipkart and Myntra, a big acquisition in Indian history. Flipkart acquired Myntra at a whooping amount of Rs. 2000 crore deal according to the insider details. Another example of acquisition is Tata Tea taking over Tetley Tea making it world's second largest tea marketer and which was double of what Tata tea was for a 271 lakh pound through leverage buyout.

Benefits of Acquisition over Internal Development

One of the key advantages of acquisition over other methods of expansion is pace of development. Acquisitions ensure that a company enters a new business with adequate size; and attains viable competitive strength. In this strategy the acquiring company is guaranteed of entering at minimum efficient scale for cost purposes and is provided access to complementary assets and resources. In addition, entry by acquisition may foster a less competitive environment – by eliminating a competitor.



Drawbacks of Acquisition over Internal Development

Acquisitions are often more expensive than internal development; they are unlikely to generate sufficient return on capital to justify the premium cost; and the acquiring companymay inherit several unnecessary adjunct businesses. The internal development process allows for many points at which the project can be assessed and reevaluated so the companycan pull the plug. Acquisitions are typically all or nothing propositions. There is also a potential problem of organizational conflict— the eruption of cultural clashes that can impede the integration of two companies.

Differences between Acquisitions and Mergers

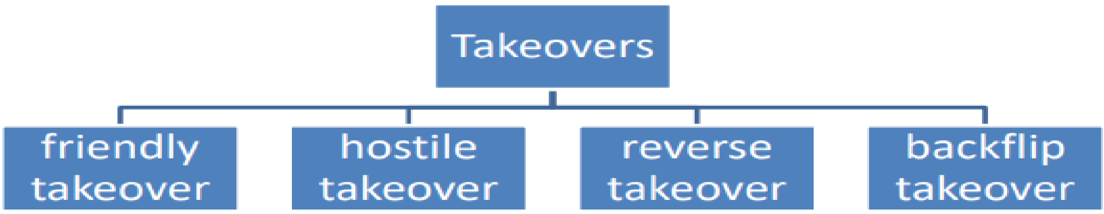
The term acquisition means that a transfer of ownership has taken place; that is, one company bought another. A merger is the consolidation or combination of one companywith another. Mergers are typically between companies of relatively equal size and influence that fuse together to form one new larger firm. There are three categories of motives for M&As: managerial self interest, hubris, and synergy.

Takeovers

Takeovers generally refers to purchase of one company by other. Whereas in UK takeovers are termed as acquisition of a public company whose shares are listed in the stock exchange.

Takeovers are of different kinds these can be –

- Friendly takeover
- Hostile takeover
- Reverse takeover
- Backflip takeover



- **Friendly takeover**

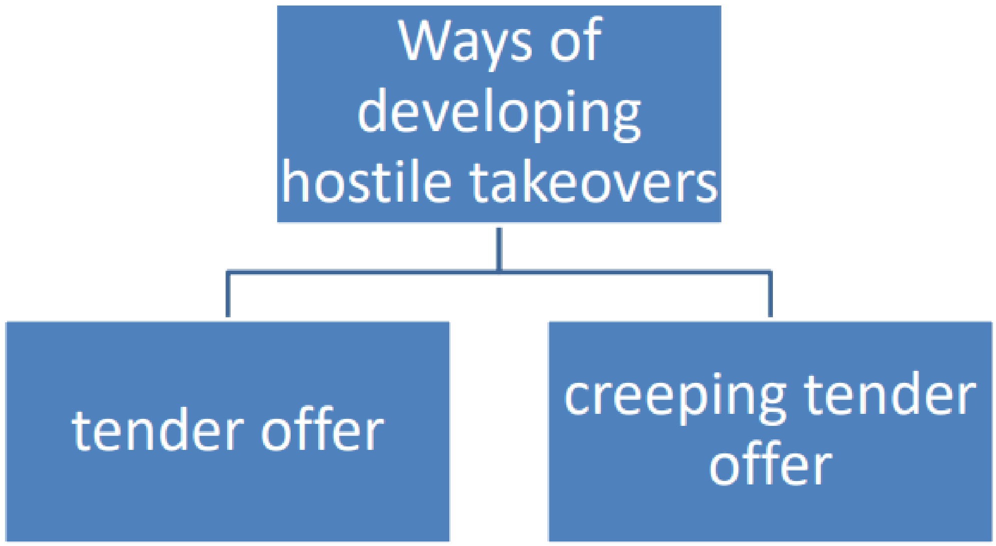
A friendly takeover is a takeover in which the acquisition is approved by the management. In this before a bid is made by the bidder the deal is usually first informed to management and if the management thinks that through this deal the shareholder are getting benefited or through its rejections they suffer loses. In private company the shareholders and the board are usually the same people or connected with one another, so private takeover are friendly. For example – Johnson and Johnson friendly takeover of Dutch Vaccine maker Crucell. The deal accounted to 1.75billion euros

- **Hostile takeover**

In a hostile takeover the bidder can takeover the company whether their management are willing or not willing to sell the company. Hostile takeover happens when the board rejects the offer made by the bidder. There are various ways to develop a hostile takeover

• Tender offer – when an acquiring company makes a public offer at a fixed price which is above the market price.

• Creeping tender offer – in this the bidder quietly buys enough stock of the company in the open market which allow to change in the management.



An example of hostile takeover is Oracle over People soft. After a battle of 18 months the oracle company takeover the people soft company.

- **Reverse Takeovers**

A reverse takeover is the one in which the public company is acquired by the private company so that private company can bypass the complex process of going public. In this generally the private players buys the share of the public company and then merge it with their company.

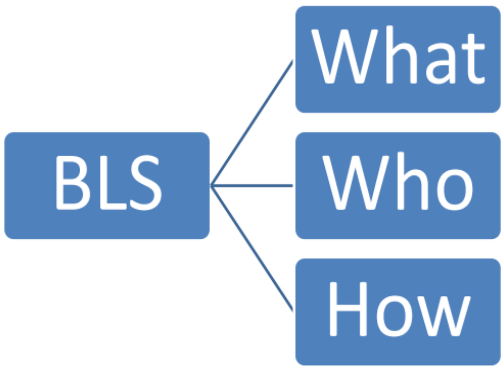
- **Backflip Takeover**

It is a type of takeover in which the acquiring company turns himself into the subsidiary of the purchased company. This happens when a larger but less known company acquire a struggling company. For example the takeover of

Bank of America by the National Bank, but it adopted the name of Bank of America.

Business level strategy

Business level strategies are strategies which are made at the middle level management for a specific Strategic business unit. These are by a SBU keeping in mind the external environment and internal environment of the SBU to achieve sustained competitive advantage and above average returns. In simplest terms these are strategies which are formulated within the premise of a company's vision and mission statement to deal with opportunities and threats being faced by the business unit while obtaining sustained competitive advantage and above average rate of return. Strategic positioning refers to the ways mangers place their SBU relative to other incumbents in the industry. Therefore, a business level strategy is all about competitive interactions and how a company deals with those interactions. Competitive actions can generate a wide range of competitive responses. Competitive interaction theory suggests that a SBU or a company's managers predict reactions to its actions and determine the best course of action given competitors' likely reactions. Business-level strategy refers to the plan of action that strategic managers adopt for using a company's resources and distinctive competencies to gain a competitive advantage over its rivals in a market or industry. These business level strategies deal are usually based on core competencies of a firm and are concerned with identifying the customers' needs and satisfying them to best of their ability. Business-level strategy is related with the basis on which a SBU decides to compete with its competitors and in its industry and also how it decides to position itself in the market. It is important to note here that we are referring to a business unit and every brand or a business unit could have different business level strategy but belong to a same conglomerate. For example Ariel is a product of P&G which follows product leadership while Tide is the product of same conglomerate which is more inclined towards cost leadership. Therefore, business level strategy is all about "what", "who" and "how" i.e . what is being satisfied, who is being satisfied and how are they

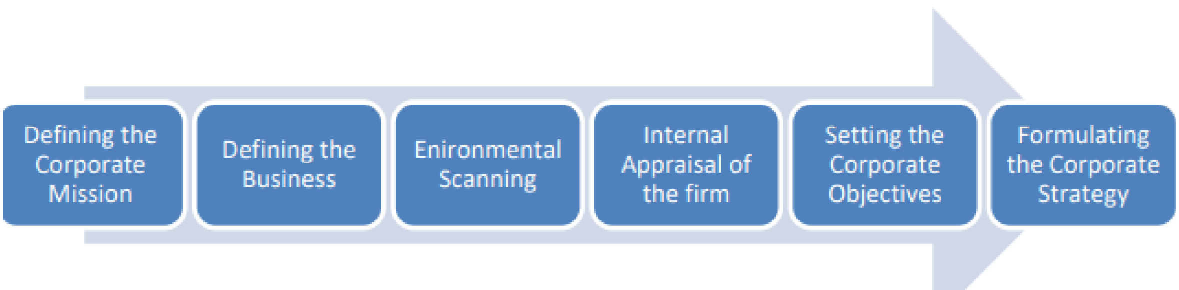


being satisfied. The what refers to the definition of the customer needs, who refers to the market segmentation and targeting strategies and basis of the company and how refers to the companies decision regarding what distinctive competencies to target to differentiate itself from the competitors or other incumbents in the industry.

STRATEGIC ANALYSIS

Strategic Management is the process of strategic decision-making that sets the long-term direction for the organization. The main objective of strategic management is to achieve sustainable competitive advantage. The steps involved in strategy process are:

A strategy involves various tasks and activities oriented towards organization objectives. The first and the foremost requirement of strategy planning is to define mission of an organization i.e. giving direction to the organization. The same is to intimated to the employees which defines the reason for the existence of organization. Tasks involves in corporate level strategic planning are:



Strategic analysis is defined by business world dictionary as the process of developing strategy for a business by researching the business and the environment in which it operates.

There are three steps to strategic analysis

1. Industry analysis

2. Company analysis

3. Matching the two.

1.Industry analysis Two of the essential determinants of company's execution are the business environment, in which the company works and the country, in which it is located. Both of these elements are part of organizations outside surroundings. An organization does well in light of the fact that their outside surroundings are greatly attractive. Others do ineffectively in light of the fact that their outside surroundings are hostile. When business environment allows market forces to work freely in those cases some companies make above normal profits. Above normal returns are possible due to imperfect competition - characterized by relatively few competitors, numerous suppliers and buyers, asymmetric information, heterogeneous products, and barriers to entry. Industry analysis is a special tool that facilitates a company’s complete understanding of position with respect to other companies that manufacture and produce same kind of products and services.

Tools like porters five forces analysis and industry life cycle analysis are used in this stage.

- Customers –Bargaining power of customers is low as cost is less .i.e. the strategy helps a SBU gain the bargaining power back from the customers.

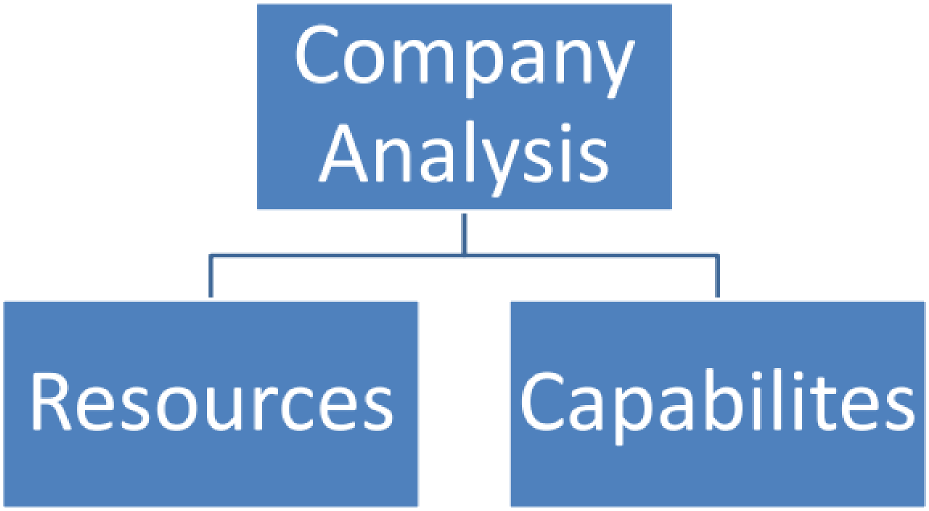
- Suppliers – Firms with cost leadership strategy can be profited from supplier side and transferring this benefit in form of less price to customers.

- Entrants – Low cost leader firms create high entry barriers for the new entrants by keeping the prices low.

- Substitutes – Low cost companies attract the customers to purchase its products and not to switch on the substitute products which might be expensive.

2.Company analysis

Company analysis or Internal appraisal is examining of internal environment of an organization to assess company's skills and resources. It identifies the strengths and weaknesses that effect the company's ability to achieve its goals. Internal appraisal is auditing of internal environment to identify strengths and weaknesses of an organization so as to match and control them to exploit the available opportunities in the industry. It identifies a company's capabilities and competencies in specific areas as well that can be used to grab the opportunities available in the industry. An organization competency defines the performance of an organization. It is a dynamic and on-going activity. Therefore, internal environment analysis is all about understanding how to use the company's resources and capabilities to add value.



3.Matching the internal and external environment indicators.

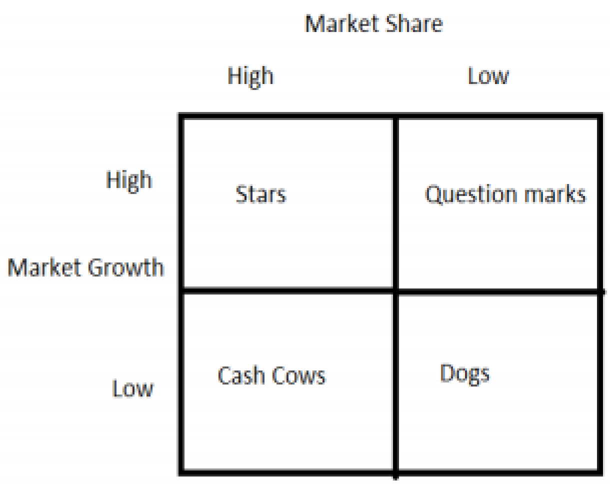
The last and the most important stage of strategic management is matching the external and internal environment indicators to formulate strategies for above average rate of return and sustained competitive advantage.

Tools of Strategic analysis

There are multiple tools and frameworks which can be used for strategic analysis.

1. BCG Matrix (Growth Share Matrix)

One of the first strategic analysis techniques to be developed was by Boston consulting group. The matrix later on came to be known as the BCG matrix. Diversification of a company usually means that a company ends up with multiple product lines and range of products that it deals in. For ease of management purposes, these range of products and product lines are grouped together to form something which is referred to as strategic business unit of a company. The main characteristic of an SBU, is that it is under the umbrella of a conglomerate and therefore there is mobility in terms of resources from one SBU to another. The common pool of resources means that there is always paucity or resources and unlimited demands in terms of the SBU requirements for what they want to achieve. The conglomerate has to divide the limited resources across the SBU in such a manner that good opportunities are exploited and strong threats are overcome and non of the SBUs suffer because of lack of resources. The BCG solves this problem on basis on matching between external and internal performance of a SBU. The BCG Matrix graphically portrays differences among divisions (of a firm) in terms of relative market share position and industry growth rate. It is used to categorize various business in a firm's portfolio based on market share and market growth. It consist of 2x2 matrix with market share on horizontal axis and market growth on vertical axis. It has been developed to help in the process of strategic analysis and resource allocation.



STARS This category of the SBUs refers to the SBUs which enjoy high market shares and a high growth. This means that the companies not only are doing very well in terms of profitability but the industry is also in growth stage of its life cycle. The business unit which are in this category of BCG usually have a very high rate of profitability and the company wants to keep exploiting that rate of profitability . Therefore, this category of BCG includes SBU in which a company is motivated to invest into. Cash generated from these business units is reinvested into the business and further cash is also redirected from cash cows to stars. Usually the business units which fall in this particular category of BCG matrix are in growing stage of their product lifecycle. As demand decreases and additional investments need to be stop, and organization become cash cows.

Question marks Similarly, this category of SBU is the one where the SBU is experiencing low market share but it is in an industry which is growing at a exponential rate . Therefore if a company can increase the strengths of this SBU and decrease the weaknesses of the SBU the probability that the SBU would be making huge profits become high. It is that this logic that the exporter and in BCG is named as question marks. This refers to SBU's which have a capacity of becoming either star performers or simply liabilities for the business.

Cash Cows The third quadrant of BCG matrix refers to SBUs which have enjoyed exceptional success in the market. However, because of external environment reasons like availability of a stronger substitute product or changes in the customer Demand etc the product sales have started stagnating. However, the unit is it is still doing well in terms of profitability but the future of the SBU due to external reasons is glim. Therefore even if the business tries to invest in to these business units the demand is just not there. The customer loyalty that the SBU generated during its star phase is helping it make profits. Therefore, as a policy the profits generated from the business unit are redirected to stars and question marks type of SBUs.

Dogs The fourth and last quadrant is the one where the SBU is neither enjoying market share nor market growth i.e. the company's portfolio of weaknesses is more than that of its strengths and even if the company is able to turn it around the investment would be to no end because the industry is in declining phase of life cycle. Therefore, as their expected growth is very low, it is advisable to them to move out from that business.

2. <u>Balance Score Card</u>

Researchers are of the opinion that if a business activity can be expressed in numbers then it can be improved and if you cannot measure it you cannot improve it. This thought was the basis of balance scorecard. Balance score says that “If companies were to improve the management of their intangible assets, they had to integrate the measurement of intangible assets into their management systems.” It is a strategic analysis tool that is used in industry, government and any non-profit organization in the word to align business tasks to the vision and strategy adopted by the organization. Dr Robert Kaplan and Dr David Norton6 was the originator of the balance score card as a performance measurement framework which gives a more balanced view to the managers by adding strategic non-financial aspect to traditional financial metric. The measurement in balance score card generally includes the following category of performance.

- Financial performance which deals with thee revenue, earnings, returns on capital, cash flow.

- Customer value performance which deals with the market share, customer satisfaction measures and customer loyalty.

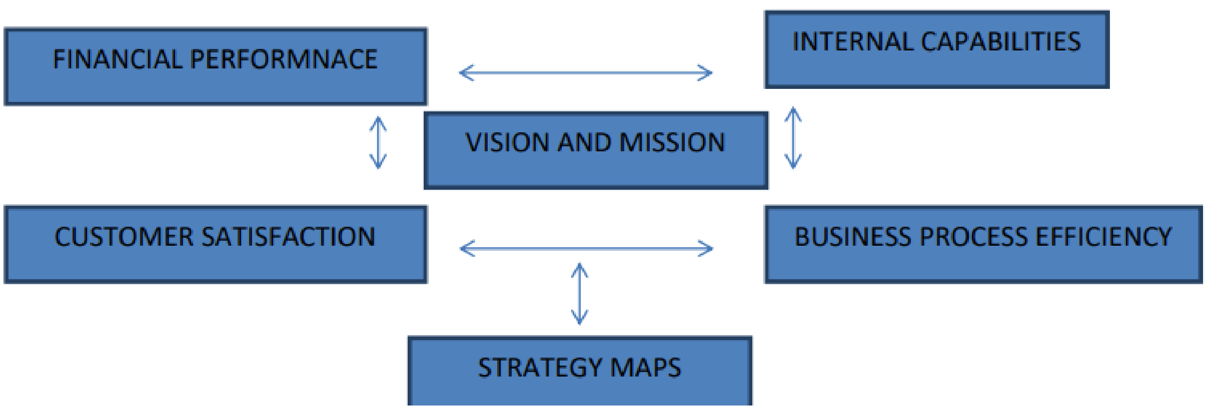
- Internal business process performance which has productivity rates, quality measures and timeliness.

- Innovation performance which deals with percentage of revenue from new products, employee suggestions and rate of improvement index.

- Employee performance which consists of morale, knowledge, turnover and use of best demonstrated practices.

In balance score card we see the organization in four ways

- The Learning & Growth Perspective



• The Business Process Perspective

• The Customer Perspective

• The Financial Perspective And then we develop metrics, collect data and analyze that data

• **The Learning & Growth Perspective** The BSC retains financial metrics as the ultimate outcome measures for company success, but supplements these with metrics from three additional perspectives – customer, internal process, and learning and growth – that we proposed as the drivers for creating long-term shareholder value. 7This includes employee training and corporate cultural attitudes which relates to individual and corporate self-improvement.

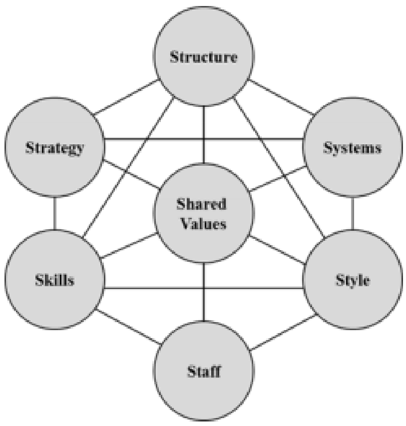
• **The Business Process Perspective** This deals with the processes of internal business. The metrics in this allows the manager to get the knowledge of the business, how it is going on, is the able to conform the requirements of the customer by their product and services which is their mission. Theses metrics should be designed with the knowledge of processes and unique mission.

• **The Customer Perspective** The customer focus and its satisfaction are very important in any business. Customer is the leading indicator. Customer satisfaction shows the processes of the business are doing well to meet the need of the customer, if the customer is not satisfied that shows the business need to improve to fulfil the needs of the customer. The metrics of the satisfaction should be developed by analyzing the customer and its needs

• **The Financial Perspective** Funding data always remain the first priority of the manager and manager will do whatever possible to provide it. The addition financial related data should be added like risk assessment and cost-benefit data so that the emphasis on the financials of the organisation does not leads to the unbalance situation when seen with other perspectives.

7-S Framework

The 7-S model was developed in 1980s by McKinsey consultants Tom Peters and Robert H. Waterman. The purpose of the model is to analyze how well an organization is positioned to achieve its intended objective. The framework helps to identify the elements in the organisation that need to be aligned to improve performance. It is important to note that implementing a strategy is not only a matter of structure, although it remains one of the key elements. Therefore, the 7-S model highlights the seven different internal aspects of an organization that need to be aligned together to achieve effectiveness in an organization are: Strategy, Structure, System, Skills, Staff, Style and Shared Valves. These seven elements of organization are divided into 'soft' and 'hard' areas. Strategy, Systems and Structure are defined as the hard elements as it is much easier to identify and manage them when compared with the other elements such as Style, Staff, Skills, and Shared Values which are termed as 'Soft Ss'. The 7-S model is graphically depicted in the figure1 as below:



Hard S	Soft S
Strategy	Style
Structure	Staff
Systems	Skills
	Shared Values

Figure1: McKinsey 7-S Model

The graphical representation of the model depicts that there exists multiple internal factors (7S) that need to be aligned to improve the organization's performance. Secondly, all the factors are interconnected and it is perhaps not only difficult but impossible to make significant progress in one area without making any in others. The 7-S model is a valuable tool that helps the company to frame the organizational design in times of uncertainty. However, the most common uses of the model are: To determine how best to implement a new strategy.

- ✓ To facilitate organizational change.
- ✓ To improve the performance of the company.

7-s

- ✓ **Strategy:** Strategy may be defined as the actions undertaken by a company in response to the changes in its external environment. It is the way by which the company positions itself vis-a-vis its competitors in the industry to achieve competitive advantage. One of the pre-requisite for successful implementation of strategy is that the strategy has to be simplified, for it to be easily perceived and communicated to the entire stakeholders.

- ✓ **Structure:** The Structure is defined as the organizational chart of the firm that represents the way portfolio of business divisions and units are organized. The very basic purpose of a structure is to divide the tasks/activities and then to provide coordination between them. Organizational structure is a trades-off between specialization and integration. By way of structure, a company takes stock of its internal competencies and capitalise it to achieve organizational objectives. No doubt, as the complexity and size of businesses increases with time; the dimensions along which companies want to divide its tasks also changes. The various possibilities for division before a company may be based on function, product, division, geography, strategic business unit and probably more. Structure is one of the most visible and easy to change elements of the framework.
- ✓ **System:** If a company wants to bring in a change without disrupting the structure of the organization then system is one of those elements. Systems are the processes and procedures, both formal and informal that makes an organization accomplish it day-to-day business activities. Cost accounting procedures, training systems, budgeting systems, management information systems are the examples of systems within a company. For successful strategy implementation a company must have its systems in place. For example, if a bank wants to decrease the waiting time for its customers while availing retail banking services at the branch; the bank needs to focus on its systems and sub-systems that could enhance the bank's effectiveness.
- ✓ **Skills:** We generally tend to characterize the companies by what they do best? Skills refer to the attributes or the capabilities that the company needs to acquire in order to reinforce its new strategies. Corporation like 3M that is known as the global innovation company had differentiated its products in the marketplace and created high entry barriers through its high levels of innovation. The people at 3M capture the spark of new ideas and transform them into thousands of ingenious products and practical applications that help make people's lives better. Skills are thus

the tacit capabilities that are difficult or impossible for the rivals to imitate and enable the company to achieve competitive advantage over them.

- ✓ **Staff:** The staff element relates to type and number of personnel within the organization. How they will be recruited, trained, motivated and rewarded. In today's knowledge-based economies, it is the people who make the real difference.
- ✓ Style: Style refers to the leadership approach of the top managers in the organization. How do the leaders interface with subordinates and others in the organization, and how do members interact with each other? Every organisation has its own distinct culture and management style that largely includes the values, belief, norms etc. which become the enduring part of organizational life.

GE NINE-CELL STRATEGIC MODEL

The GE 9-Cell Matrix was developed with the intention to overcome certain limitations of the BCG Matrix.

The Matrix was pioneered by General Electric Co., with the aid of Boston Consulting Group and McKinsey & Co.

The matrix consists of 9 cells (3X3) and Two Key Variables :

•Business Strength
•Industryes Attractiveness

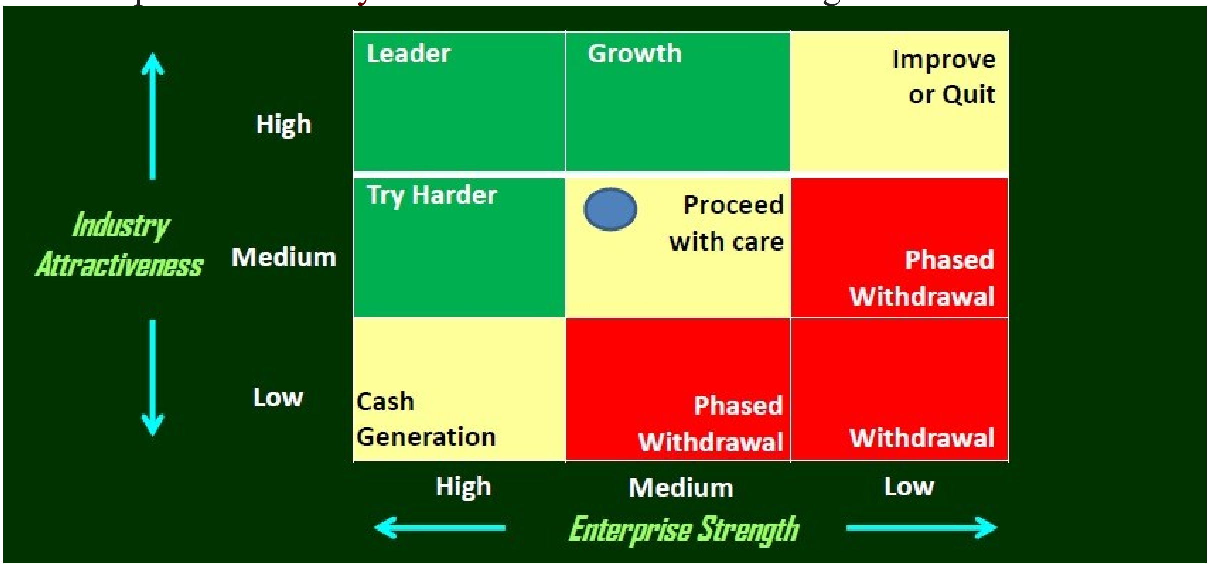
Business Strengths:
•Productfeatures/atents
•MarketShare
•ProfitMargins
•Price/QualityCompetitiveness
•MarketIntelligence

Industry Attractiveness :

- Market Size & Growth
- Economies of scale
- Technology
- Social/ environmental aspects
- Competitive factors

If your enterprise falls in the green zone you are in a favorable position with relatively attractive growth opportunities.

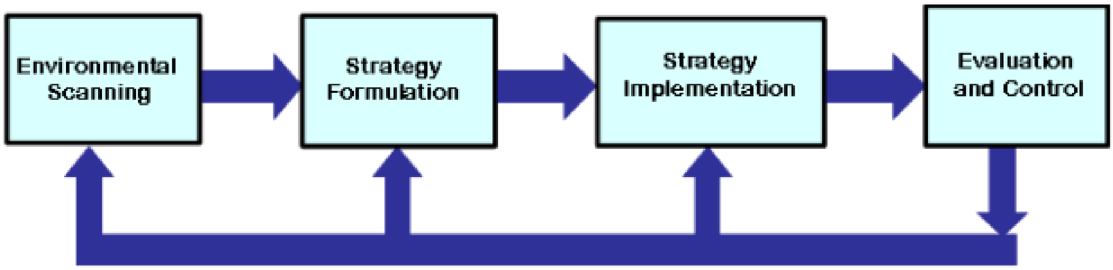
A position in the yellow zone is viewed as having medium attractiveness.



STARTERGIC CONTROL SYSTEM

Strategic control is the terminal part of the strategic management process s (Fig. 1).The control function holds its own importance in the process of strategic management. It is necessary, however, to introduce the process of strategy evaluation and control at the early stages of its implementation so as to take timely corrective measures if required, for achieving the desired goals and objectives of the corporation. The process of control is crucial as the internal and external factors of business environment may not follow the trends as anticipated at time of planning the strategy.

Fig. 1: Strategic Management Process

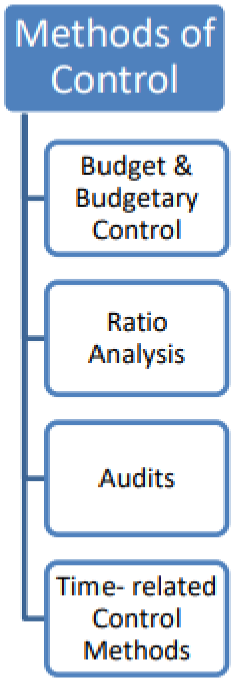


Implementation Control:

Once a strategy is formulated, it has to be implemented. As the managers take the necessary steps to put the strategy in action, implementation control is used to review whether the original plan, programs, and projects are being well implemented and the corporation is glided through its pre-determined objectives or not. Milestone reviews is another tool used in for implementation control. The milestone reviews allow the managers to determine the critical points in strategy implementation in terms of events, resources or even time.

Methods of Control

There are various methods/tools/techniques used in strategic control system. These methods are adopted by the organizations based on types of control required. No doubt, most of these methods are related to financial control and neglect the non-financial parameters. The financial reporting system provides the information of how a company has performed in the past but offers little information about how it might performance in the future. Some of these methods are discussed briefly in the following sections of the module so as to develop a basic understanding of various control methods.



Budgets and Budgetary Controls: Budgeting has been accepted as one of the efficient method of short-term planning and control. Though, it is employed in large business organizations but the small businesses are also using it at least in some informal manner. Budget is defined as " A financial and/or quantitative statement, prepared and approved prior to define period of time, of the policy to be persued during that period for the purpose of attaining a given objective" by the Chartered Institute of Management Accountants, England. Therefore, a budget is taken as a document that usually deals the allocation of resources to different units with the organization and is classified under the three different modes:

- ✓ Time: Annual budgets, quarterly budgets, monthly budgets, zero base budgets, etc.
- ✓ Functional: Human resources, materials, marketing & sales, research & development, administration, etc.
- ✓ Flexibility: To evaluate the performance at different volume levels or capacity utilization, sensitivity to key parameters, etc.

Ratio Analysis: Ratio analysis is a form of financial statement analysis, used to obtain a quick snapshot of a firm's performance in various key areas. It is used to measure the company's operating and financial performances such as efficiency, liquidity, solvency and profitability. The trend of various ratios is studied over a period of time to check whether the strategy pursued so far is proceeding in the right direction or not.

Audits: Audit is another method of control. An audit is the process by which the financial statements of a organization are evaluated so as to ensure that these are accurate representation of the transactions the organization claims for. The audits can be done both internally and externally. Internal audits are done by employees of the organization while external audits are conducted by independent agencies outside the firm.

Time-related Control Methods: Critical Path Method (CPM) and Programme Evaluation and Review Technique (PERT) are the most popular graphical and analytical methods used in the strategic control process. These tools help the management to take remedial action and get the project back on course. The techniques take recognition of three factors that influence successful achievement of program objectives i.e. time, resource and technical performance specifications.

STRATEGIC EVALUATION

Strategic Evaluation is vital to an organisation wellbeing. Timely evaluations can alert the management to problems and potential problems before the situation becomes critical. Strategic evaluation includes three basic activities: **(1) Examining the underlying bases of a firm's strategy, (2) Comparing** expected results with actual results, (3) Taking corrective actions to ensure that performance conforms to plans (though this is done in control process, but many authors club control process with evaluation process).

Strategic Evaluation Process evaluation plays a cardinal role in strategic management. Its role is to critically assess how well or bad things are going at every phase of the strategic management process; so that the necessary actions may be taken to improve the performance of the organisation.