11. Strategy implementation and control

Q.No.1. What do you mean by Strategy implementation?

1. Strategy Implementation / Execution deals with the managerial exercise of:

- **a.** supervising the ongoing implementation of strategy,
- **b.** making the strategy to work,
- **c.** improving the competence with which it is executed, and
- **d.** showing good progress in achieving the targeted results.

2. It involves translating a good idea into action.

3. It involves:

- **a.** allocation of resources to new courses of action,
- **b.** Adjusting the firm's structure to handle new activities,
- **c.** training personnel, and
- **d.** developing proper systems to perform work in the firm.

Strategic Analysis based on	→	Strategic Choice based on	→	Strategy Implementation based on
- Environment - Firm's goals & purpose - Firm's resources & competencies	→	- Premises & Assumptions - Identification of options - Strategic Evaluation & selection	→	- Organisational Structure & design - Resource Allocation & Control - Management of Strategic change.

Q.No.2. Efficiency vs. Effectiveness.

	Efficiency	Effectiveness
1.	To be efficient means "to do the things right".	To be effective means, "to do the right things".
2.	Focus on relationship between inputs & outputs.	Focus on relationship between means & ends.
3.	Short-run in nature.	Long-run in nature.
4.	Introspective effect i.e. within the firm.	Highlights linkages between firm and its external environment.
5.	Operational in nature.	Strategic in nature.
6.	Strategy implementation viewpoint.	Strategy formulation viewpoint.

Relationship between efficiency and effectiveness on the firm's profitability:

Strategic management

Efficiency vs Effectiveness	Ineffective	Effective
Operational Mgmt → **Efficient**	Firm dies slowly	Firm thrives and succeeds in its Mission
Operational Mgmt → **Inefficient**	Firm dies quickly	Firm Survives

Q.No.3. Distinguish between strategy formulation and strategy implementation.

Basis	Strategy Formulation	Strategy Implementation
1. Nature	Positioning forces before the action.	Managing forces during the action.
2. Focus	Focus on effectiveness.	Focus on efficiency.
3. Process	Primarily an intellectual process.	Primarily an operational process.
4. Skills required	Good intuitive and analytical skills.	Special motivation & leadership skills.
5. Co-ordination	Requires co-ordination among few individuals.	Combination and synchronized work among many individuals.
6. Concept and Tools	Similar for small and large, business and non-profit organisations.	It is different for different types of organisations.
7. Orientation	Planning orientation.	Action / Execution orientation.
8. Scope	Entrepreneurial activity.	Administrative Task.
9. Responsibility	Top Level Management.	Middle & operational Level management.

Q.No.4. Outline the inter-relationship between strategy formulation and implementation. Good Strategy may fail if it is not implemented properly. Comment.

Strategy Implementation

Strategy formulation	Weak	Excellent
Sound	Competitive strategy but ineffective implementation.	Competitive strategy and effective implementation i.e. successful firms.
Flawed	Bad strategy and bad implementation i.e. route to failure.	Bad strategy but good implementation.

Combination of		Observation
Strategy formulation	**Strategy implementation**	
Sound	**Weak**	❖ This may arise due to – - lack of experience (e.g. in case of new firms), - lack of resources, - missing leadership etc. ❖ Here, the company should understand the difficulties in implementation and should set them right.
Sound	**Excellent**	This is an ideal situation i.e. a good strategy, implemented successfully.
Flawed	**Weak**	To ensure survival and growth, such firms should seek business model re-design and implementation / execution re-adjustment.
Flawed	**Excellent**	Such firms should re-design their strategy before re-adjusting their implementation / execution skills.

Q.No.5. Explain the linkages between Strategy Formulation and Strategy implementation. [OR] Strategy formulation influences, and is influenced by strategy implementation.

FORWARD LINKAGES: Strategy formulation influences strategy implementation.

1. With the formulation of new strategies or re-formulation of existing strategies, changes are required to be made within the firm.

2. Some examples of changes are –

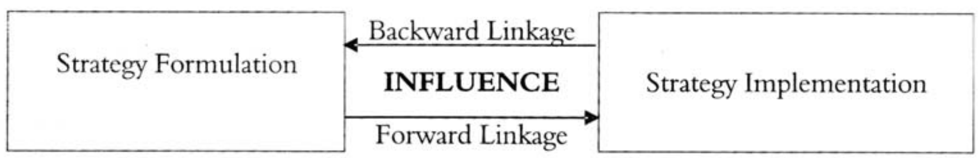
- **a)** Change in organisational structure,
- **b)** Change in style of leadership, etc.

<u>BACKWARD LINKAGES:</u> Strategy formulation is influenced by strategy implementation.

1. Firms try to adopt those strategies which can be implemented with existing structure, resources, with some additional efforts.

2. Such incremental changes, over a period of time, take the firm towards its desired goals.

3. Past strategic actions are referred and analysed while formulating / designing new strategies. This highlights the Backward Linkages between Strategy Formulation and Implementation.



Q.No.6. Examine the relationship between a) Strategies, b) Plans c) Programmes, & d) Projects.

Flow	Strategies → Lead to	Plans → Result in	Programmes → Lead to	Projects
Meaning	i.e. Statement of Intent.	i.e. mechanism to activate strategies	i.e. Goals, policies, procedures, rules, steps to be taken in putting a plan into action.	A specific programme for which the time schedule and costs are predetermined.
Examples	Stability Strategy	If Stability strategy is formulated, it may lead to the formulation of various plans including a modernization plan.	A R&D Programme for the development of a new product.	A R&D programme may consist of several projects each of which is intended to achieve a specific and limited objective. It requires separate allocation of funds and it is to be completed within a specific time schedule.

Q.No.7. List the steps in the process of strategy implementation.

1. Formulation of Plans, Programmes and Projects.
2. Design of appropriate organisational structure.
3. Installation of suitable systems.
4. Determination of functional policies.
5. Decision making on resource allocation.
6. Providing various behavioural inputs, so that the plans work.

Q.No.8. What are the key issues in strategy implementation?

Key issues in strategy implementation are:

1. Project Implementation,
2. Procedural Implementation,

3. Resource Allocation
4. Structural Implementation,
5. Functional Implementation,
6. Behavioural Implementation.

> **Note:**
> **(a)** This list does not denote any sequence as such, i.e. they need not be performed in the same order.
> **(b)** Some activities may be performed simultaneously or in parallel.
> **(c)** Some activities may be repeated over time while others may be performed only once.

Q.No.9. Outline the role of top management in Strategy Implementation.

Top management's role in strategy implementation include:

1. Establishing objectives,	**7.** Minimising resistance to change,
2. Designing policies,	**8.** Matching managers with strategy,
3. Allocating resources,	**9.** Developing a strategy supportive culture,
4. Modifying the existing organisational structure,	**10.** Adapting (=adjust) production/ operations & processes,
5. Re-structuring and re-engineering,	**11.** Developing an effective human resource function,
6. Revising reward and incentive systems,	**12.** Creating a conducive organizational climate.

Q.No.10. Participative process is a pre-requisite for effective strategy implementation. Comment.

1. **Responsibility shift:** As much as possible divisional and functional managers should be involved in strategy formulation activities. As much as possible, strategists should also be involved in strategy implementation activities.
2. **Participation:** Managers and employees throughout the firm should participate early and directly in strategy-implementation decisions. Their role in strategy implementation should be based upon prior involvement in strategy-formulation activities.
3. **Commitment:** Strategists' genuine personal commitment in the implementation of strategy is necessary and it is a powerful motivational force for managers and employees.
4. **Communication:** The rationale (=basis, underlying principle) for objectives and strategies should be understood and clearly communicated throughout the firm. Top-down flow of communication is essential for getting bottom-up support.
5. **Focus on competitor:** Firms should focus on competitors by gathering and widely distributing competitive intelligence at all hierarchical levels. Every employee should compare his performance against best-in-class competitors, so that the challenge becomes personal.
6. **Training:** Firms should provide training for managers and employees to ensure that they have and maintain the skills necessary to become world class performers.

Conclusion: By implementing the above participative processes, a firm can ensure (=guarantee) smooth transition from Strategy formulation to strategy implementation phase.

Q.No.11. Changes in Strategy often require changes in Structure. Explain.

Changes in strategy often require changes in structure due to following reasons:

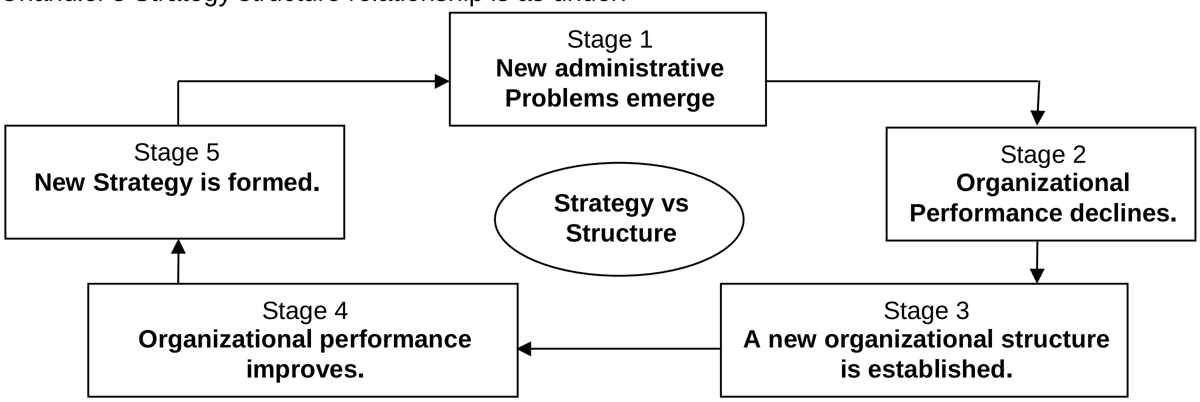
1. **Planning:** Objectives and policies are established on the basis of structure. For example, in an organization whose structure is based on product groups, objectives and policies are stated in terms of products.
2. **Resource allocation:** Structure dictates how resources are allocated in an organization. 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 based on functional business areas then resources are allocated on that basis.

3. **Changes:** Structure should be designed to facilitate strategic pursuit of a firm. Therefore, structure follows strategy. So, changes in strategy lead to changes in organisational structure.
4. **Match:** A competitive advantage is created when there is a proper match between strategy and structure. If there is no proper match between strategy and structure it leads to company rigidity and failure.
5. **Efficiency:** If companies want to exploit their core competencies then they must be flexible, innovative, and creative. Companies must also maintain certain degree of stability in their structure so that day to day activities can be completed efficiently.
6. **Decision making:** Useful information contributes to the formation and use of effective structures and controls, which yield improved decision-making to implement and manage the formulated strategies.

Note: Without a Strategy or Mission, firms cannot design an effective structure.

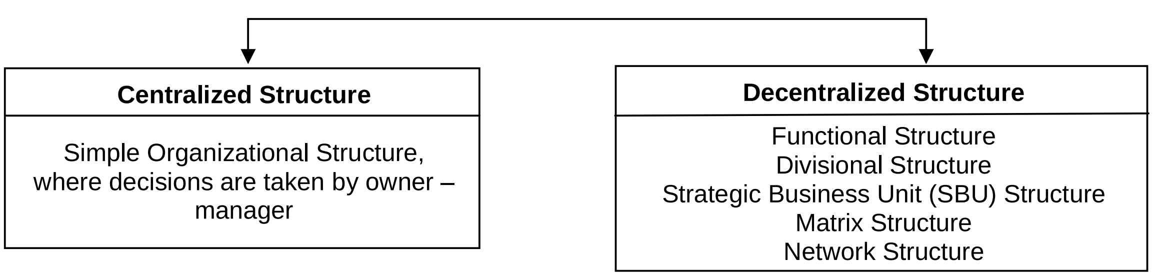
Q.No.12. Explain Chandler's strategy structure relationship (Or) Structure & strategy are inter-related. Explain.

Chandler's Strategy structure relationship is as under:



1. **Design:** There is no one optimal organisational design or structure for a given strategy or type of firm.
2. **Firm specific:** What is appropriate for one firm may not be appropriate for another firm. However, successful firms in a given industry try to organize themselves in a similar way. For e.g. consumer good firms generally adopt the product type of organization structure.
3. **Size:** Structure is also affected by size of the firm. Generally small firms are functionally structured (i.e. centralised), medium firms are divisionally structured (i.e. decentralised), while large firms use matrix structure (i.e. SBU Form).
4. **Growth:** As firms grow, their structures change from simple to complex, due to linking together of several basic strategies.
5. **Need for change:** When a firm changes its strategy, the existing organisational structure may become ineffective. Structural changes are required to make the strategies workable.
6. **Not a remedy:** Changes in structure can facilitate strategy implementation efforts. But changes in structure can't make a bad strategy to good, bad managers to good or bad products to sell.

Q.No.13. Different forms of Organizational Structure.



Q.No.14. Write Short notes on Simple Organizational Structure.

Meaning: A simple structure is an organisational structure in which the owner-manager makes all major decisions directly and monitors all activities. Company's staff merely serve as executors of decisions taken by the owner-manager.

Features:

a. Little specialisation of tasks.

b. Few rules and little formalisation.

c. Unsophisticated information systems.

d. Direct involvement of owner-manager in all phases of day-to-day operations.

e. Frequent and direct communication.

Competitive advantages:

a. Appropriate for Companies that follow a single-business strategy and offer a line of products in a single geographic market.

b. Appropriate for companies that follow cost-leadership or differentiation strategies.

c. More scope for innovation.

d. More structural flexibility,

e. Organisation can quickly respond to changes in environmental conditions.

Demerits:

a. Not suitable when firms grow larger/ bigger.

b. Cannot manage complicated information processing requirements.

c. More pressure on owner-managers (due to lack of skill or experience or time).

Q.No.15. State the characteristics of a functional structure?

1. Meaning:

a) Under Functional or centralised organisational structure the entire work to be done is divided into major **functional departments.**

b) The Functional Structure consists of:

- **Corporate Level:** Chief Executive Officer (CEO) or a Managing Director and other Heads,
- **Functional Level:** Line Managers in major functions like Production, Accounting, Marketing, R&D, Engineering, and Human Resources.

2. Departmentation:

a) In a Functional Structure, each major function of business is organised as a separate department.

b) Within the department, the work can be divided into different sections and sub-sections.

c) Within each sub-section, work can be organised from top to bottom by entrusting each unit of job / task, to lower levels.

3. Competitive advantages:

a) Promotes specialisation of labour, **b)** Encourages efficiency, **c)** Minimises the need for an elaborate control system, **d)** Allows quick decision – making. **e)** Each department can be managed by an expert because all jobs are specialized in nature and require specialists.	**f)** Better supervision, since an individual manager becomes familiar with related tasks and activities. **g)** Better co-ordination due to specialisation and efficiency among various departments.

4. Disadvantages:

a) Forces accountability to the top, **b)** Minimises career development opportunities, **c)** Low employee morale. **d)** Creates line & staff conflicts. **e)** Poor delegation of authority.	**f)** Inadequate planning for products and markets. **g)** Difference in functional specialisation and orientation. It creates problems in communication and co-ordination. **h)** Specialists may develop narrow perspective, losing sight of the company's strategic vision and mission.

Q.No.16. Write short notes on Multi Divisional Structure or M-Form Structure.

Meaning: The multi-divisional (M-Form) structure consists of operating divisions where each division represents a separate business, to which the top management delegates responsibility for day-to-day operations and business unit strategy to division managers.

Divisions:

a. Each division will represent a separate business and has its own functional hierarchy.

b. Each division manager is responsible for managing day-to-day operations in that division.

c. In this structure, functional activities are performed both centrally and in each separate division.

Top Management Role:

a. Top management (i.e. Corporate Office) is responsible for formulating and implementing overall corporate strategy, and manages the semi-autonomous divisions through strategic & financial controls.

b. **Strategic Control** means understanding by the top management of the strategies being implemented at various divisions.

c. **Financial Control** helps top management to manage the cash flows of divisions through Cash Budgets, Profitability Statements, etc.

Types: Divisional Structure can be organized / classified based on

a. **Geographic area:** to promote local participation in decision-making and improved co-ordination in a region.

b. **Product or Service:** to emphasise on specific products and services which differ substantially.

c. **Customer:** to cater to the needs of specific customer groups.

d. **Process:** similar to a functional structure, but divisions are also responsible for revenue generation.

Advantages:

a. **Promotes accountability** since division managers can be held responsible for sales and profits.

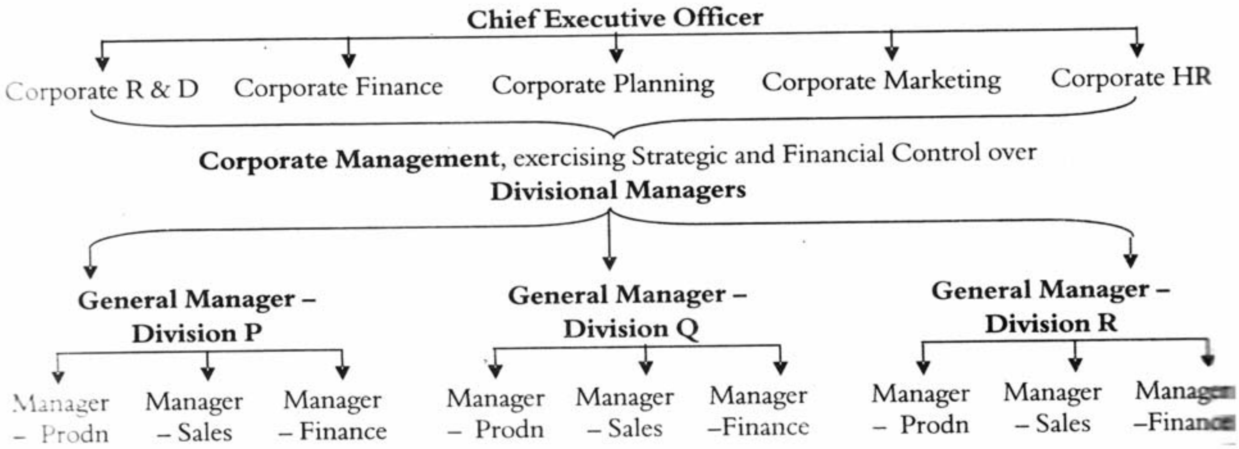
b. **Employee morale** is comparatively higher in a divisional structure than in a centralized structure.

c. **Career development** opportunities for managers, because it allows people to develop total expertise in a certain product / area / process, etc.

d. Allows better **control** on local situations.

e. Leads to a **competitive climate** within the firm, and

f. It is easy to add new **businesses and products**.



Disadvantages:

a. Each division requires **functional specialists** or experts in that product / area / market.

b. **Duplication** of staff services, facilities, and personnel, since certain activities are performed centrally and also in each division.

c. Requires an elaborate, headquarters' driven **control system,** which might be costly.

d. Certain regions, products, or customers may receive special treatment and develop inconsistent traits / practices when compared to the company's overall policy.

Q.No.17. Write short notes on SBU Structure.

Meaning:

a) SBU Structure groups similar divisions into Strategic Business Units and delegates authority and responsibility for each unit to a Head Senior Executive. Head Senior Executive will report directly to the Top Management/ CEO.

b) A Strategic Business Unit (SBU) structure consists of the following levels of Management -

❖ Top Level - Corporate Headquarters, CEO and various functional heads.

❖ Second Level - SBU Groups, under the control of the SBU Head.

❖ Third Level - Divisions grouped by relatedness within each SBU.

c) Within each SBU, divisions are related to each other. However, SBU Groups (i.e. 2nd level) are unrelated to each other.

Advantages:

a. Within each SBU, divisions producing similar products and/or using similar technologies can be organized to achieve **synergy benefits.**

b. Individual SBUs are treated as profit centres and can react more quickly to environmental changes.

c. Corporate Headquarters can concentrate on strategic planning rather than operational control.

d. SBU facilitates better co-ordination, harmony and orderliness (= neatness) in operations.

e. It promotes accountability in respect of actions of each SBU.

f. A Company can accurately monitor the performance of individual businesses, simplifying control problems.

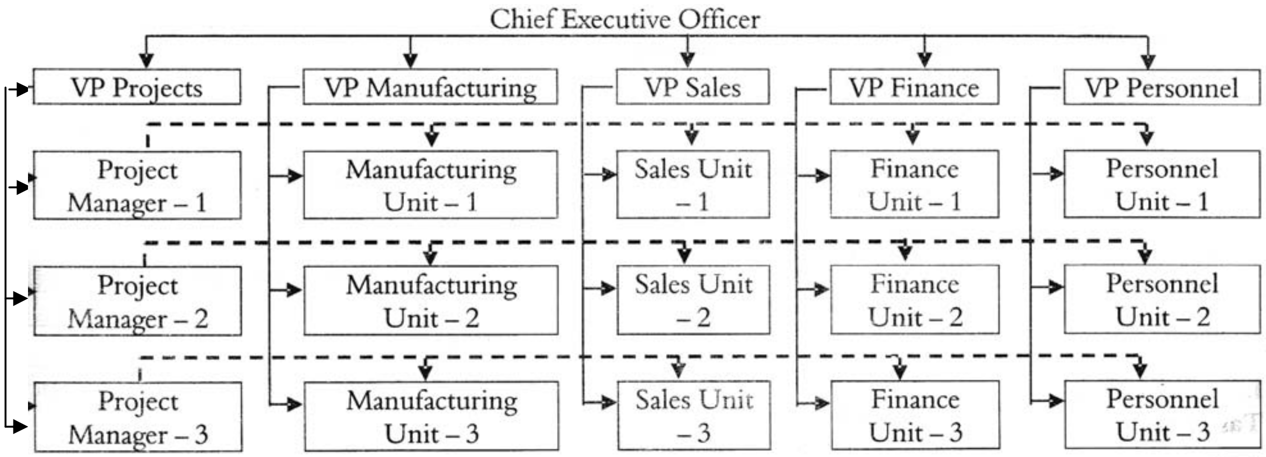
g. It facilitates comparison between divisions, improving the allocation of resources. It can be used to stimulate poorly performing division managers and find ways to improve performance.

Disadvantages:

a. It requires an additional layer of management, which is very costly.

b. The role of Group Vice President is often ambiguous.

Q.No.18. Explain the Matrix Organizational Structure.



Meaning:

a. A Matrix Structure is a combination of vertical and horizontal flows of authority and communication (hence the term **Matrix).**

b. Employees are attached to the `Home' Department (i.e. a functional department, which has personnel on permanent basis) who report to their respective functional managers.

c. These employees are assigned to one or more projects or project units that are temporary. They report to the project manager, during the period of completion of the project.

d. Thus, employees have two superiors - (i) Functional Manager (Vertical Flow) and (ii) Project or Product Manager (horizontal flow).

Advantages:

a. Useful for specialised industries like Construction, Healthcare, Research and Defence.

b. Project objectives will be clear,

c. Several channels of communication. So, employees can see the visible results of their work.

d. Shutting down of a project is relatively easy.

Disadvantages:

a. Higher employee costs, due to more management positions.

b. Complexity due to horizontal and vertical flows of authority and communication.

c. Dual lines of authority, violating the principle of "Unity of Command".

d. Dual reporting channels, leading to chaos (=disorder) and confusion.

e. Sharing of authority, leading to conflicts between managers.

f. Conflicts in resource allocation decisions.

Suitability: Matrix Structure is often found in a firm or within an SBU when -

a. Ideas need to be cross-integrated across various projects or products,

b. Resources are scarce,

c. Abilities to process information and to make decisions need to be improved.

d. External Environment (technological and market factors) is very complex, changeable and uncertain.

Prerequisites: To be effective, matrix structure should be supported by

a. Clear understanding of roles and responsibilities,

b. Extensive and effective internal communication system, and

c. Atmosphere of mutual trust and confidence.

Q.No.19. Describe the evolution of Matrix Structure as proposed by Davis and Lawence.

Phase	Description
I. Cross – functional task forces	**a)** When a new product line is introduced, temporary cross-functional task forces are initially used. **b)** A project manager is incharge and act as the key horizontal link.
II. Product / Brand Management.	**a)** If the cross-functional task force becomes more permanent, the project manager becomes a Product or Brand Manager. **b)** Here, function is the primary organizational structure, but Product or Brand Managers act as the integrators of semi permanent products or brands.
III. Mature Matrix	**a)** Both functional and product structures become permanent, leading to a true dual-authority structure. **b)** All employees are connected to a vertical functional manager and also to a horizontal product manager. **c)** Functional and Product managers have equal authority and must work together to resolve problems.

Q.No.20. Write Short notes on Network Structure.

Meaning:

a. Network Organization is a series of independent firms or business units linked together by computers in an information system that designs, produces, and markets a product or service.

b. It is also called as **"virtual organization",** because it consists of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

c. Instead of having salaried employees, the firm may hire people for a specific project or length of time. Long-term contracts with suppliers and distributors are replaced by vertical integration.

d. The firm's business functions will not be located in a single building or area. Instead, they will be scattered around worldwide

e. As a result the firm is only a shell, with a small headquarters acting as "Broker". The firm is electronically connected to some fully-owned divisions, partly-owned subsidiaries, and other independent companies.

Advantages:

a. Most useful when the environment of a firm is unstable and is expected to remain so.

b. Strong need for innovation and quick response.

c. Increased flexibility and adaptability to cope with rapid technological change.

d. Allows a company to concentrate on its distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise.

Disadvantages:

a. Availability of numerous potential partners can be a source of trouble.

b. Several functions are contracted to separate suppliers/distributors. As a result the firm can't discover any synergy benefits by combining different activities.

c. If a particular firm over specializes on only few functions, it may choose wrong function and thus becoming non competitive.

Q.No.21. Increased levels of diversification by firms call for newer structures. Comment. [or] Outline the shift in pattern/ design in organisational structures.

Due to environmental complexity and increased levels of diversification by firms, there is a need for newer structures that permit strategic focus and fast decision-making. The shift in pattern is given below:

Old organizational design	New organizational design
1. One large corporation.	**1.** Mini-business units & co-operative relationships.
2. Vertical communication.	**2.** Horizontal communication.
3. Centralised top-down decision-making.	**3.** Decentralised participative decision-making.
4. Vertical Integration.	**4.** Outsourcing & virtual organisations.
5. Work/quality teams.	**5.** Autonomous work teams.
6. Functional work teams.	**6.** Cross-functional work teams.
7. Minimal training.	**7.** Extensive training.
8. Specialized job design focussed on individuals.	**8.** Value-chain team-focussed job design.

Q.No.22. Newer Organizational structures create behavioural problems for employees. Comment.

1. Many workers become deskilled i.e. they cannot perform well in a new structure. This is so because new structures often demand constant innovation and adaptation.

2. Employees may lack the confidence required to participate actively in the organization-sponsored learning experiences.

3. Flatter organizational structures demand for more intense and personal interactions with internal and external stakeholders.

4. New structural arrangements may create stress for many employees.

STRATEGIC BUSINESS UNITS (SBUs)

Q.No.23. What is a SBU?

A SBU is a single business or collection of related businesses, which

1. Offers scope for independent planning and which might feasibly stand alone from the rest of the firms.
2. Has its own set of competitors.
3. Has a manager, who is responsible for strategic planning and implementation, and
4. Who has control over the resources and profit influencing factors.

Q.No.24. Bring out the features of SBUs.

1. **Planning:** An SBU can be taken up strategic planning distinct from the rest of the businesses. Products/ businesses within an SBU receive same treatment and priorities.
2. **Regrouping:** Various businesses handled by a company are analysed, segregated (=divided) and regrouped into few, well-defined, distinct, scientifically demarcated (=separate) business units, assembled together as a distinct SBU.
3. **Identity:** In the areas of mission, objectives, competition and strategy each SBU will be distinct from another. Thus each SBU is a separate business.
4. **Unrelated:** On the basis of functional relation, unrelated products/ businesses could be assigned to any other SBU. Otherwise, they are made into separate SBUs.
5. **Competition:** Each SBU will have its own distinct set of competitors and its own distinct strategy to deal with competitors.
6. **Manager:** Each SBU will have a Head/Incharge, who will be responsible for strategic planning and profit performance.

Q.No.25. What are the advantages of SBU concept?

1. **Scientific:** It is a scientific method of grouping the businesses of a multi-business firm.
2. **Improvement:** It is an improvement over the territorial grouping of businesses and strategic planning based on territorial units.
3. **Clarity:** Grouping the businesses into SBUs help the firm in strategic planning, by removing the vagueness and confusion in grouping.
4. **Resource allocation:** It facilitates the right setting for correct strategic planning. It also helps to give relative priorities and resources to various businesses.

Q.No.26. Are all SBUs of a firm totally unrelated? Explain.

In spite of maintaining its own identity, there may be relatedness between SBUs. Such relatedness may arise due to following factors:

1. **Technology/Products:** SBUs might be based on similar technologies or produce similar products or services.
2. **Customers:** SBUs might be serving similar or different markets. Even if technology or products differ, customers might be similar.
3. **Core competencies:** The core competencies of SBUs may be similar, leading to overall competitive advantage. For e.g. superior R&D team in each SBU, innovative marketing methods in all SBUs, etc. There may be similarities in competitive advantage of different SBUs.

Q.No.27. How can a firm obtain competitive advantage? [OR] Compare and contrast the sources of competitive advantage.

1. To survive and prosper in an industry, a firm must meet 2 criteria - (a) Supply what customers want to buy, and (b) Survive competition.
2. A firm's overall competitive advantage depends upon the difference between value offered to customers and the cost of creating that value.
3. This Competitive advantage can take 2 forms - (a) Differentiation advantage and (b) Low-Cost advantage.

A comparative analysis of these 2 forms is given below:

Differentiation advantage	Low-Cost advantage
It occurs when **customers perceive** that a firm's product is of: **a.** higher quality, **b.** involves less risk and / or **c.** outperforms competing products offered by competitors. Thus customers will be willing to pay a premium price for this product.	A Firm **enjoys** low-cost advantage if its total costs are lower than the market average.
This is gained by: **1.** Ability to deliver goods in a timely manner, **2.** Better quality, **3.** Provision of after-sales support services, **4.** Offer a wider range of goods and services etc.	**Gained by:** **1.** Access to low-cost raw materials, **2.** Innovative process technology, **3.** Low-cost access to distribution channels **4.** Economies of scale, **5.** Superior operating management, etc.
Can be **exploited by:** **1.** Increasing prices until it is equal to the improvement in customer benefits. Thus current market share can be maintained. (or) **2.** Pricing below the `full premium' level in order to build market share.	Can be **exploited by:** **1.** Pricing the products lower than its competitors. It helps to gain market share and maintain current profitability, or **2.** Match with the price of competing products and increase its profitability.
With this customers can get better value for an equivalent price.	With this customers can get equivalent value for a lower price.

Q.No.28. How can VCA be used to assess competitive advantage?

1. A Company can gain competitive advantage by:
   a. matching or surpassing its competitors, and
   b. discovering what the customers want and then profitably satisfying and even exceeding their expectations.

   This is done by a concept called Value Chain Analysis (VCA).
2. VCA can be used to better understand which segments, distribution channels, price points, product differentiation, selling propositions and Value Chain configurations will yield greatest competitive advantage to the firms.
3. It involves the following analyses:
   a) **Internal cost analysis:** To determine the sources of differentiation (including the cost) within internal value-creating processes, and
   b) **Internal differentiation analysis:** To understand the sources of differentiation (including the cost) within internal value-creating processes, and
   c) **Vertical linkage analysis:** To understand the relationships and associated costs among external suppliers and customers in order to maximise the value delivered to customers and to minimise cost.

4. **Features of these analyses:**
   a) **Not mutually exclusive:** Firms begin by focusing on their internal operations and gradually widening their focus to consider their competitive position within their industry.
   b) **Continuous:** VCA is a continuous process of gaining competitive advantage, not a one-time affair.
   c) **Part of strategic planning:** VCA is a process of gathering, evaluating and communicating information for business decision-making.

Q.No.29. How are business activities classified for VCA purposes?

Porter classified business activities into - (1) Primary or Line Activities, and (2) Support Activities.

Primary activities: The **Primary Activities** of an organization are grouped into -

1. **Inbound Logistics** are the activities concerned with receiving, storing and distributing the inputs to the product/service. This include materials handling, stock control, transport, etc.
2. **Operations** convert these inputs into final product or service, e.g manufacturing, packaging, assembly, testing, etc.
3. **Outbound Logistics** collect, store and distribute the product to customers. For tangible products, this would include warehousing, materials handling, transport, etc. In case of services, this involves arrangements for bringing customers to the service if it is a fixed location (e.g. sports events).
4. **Marketing and Sales** provide the means whereby consumers/users are made aware of the product / service and are able to purchase it. These include sales administration, advertising, selling, etc.
5. **Services** are all those activities, which enhance or maintain the value of a product/service, such as installation, repair, training and spares.

Support activities: These are activities that support primary activities. They are handled by the organisation's staff functions and include -

1. **Procurement -** purchasing of raw materials, supplies and other consumable Items as well as assets.
2. **Technology development -** Know-how, Procedures and Technological inputs needed in every Value Chain activity.
3. **Human Resource Management -** Selection, promotion and placement, appraisal, rewards, management development, and labour/employee relations.
4. **Infrastructure -** general management, planning, finance, accounting, legal, government affairs and quality management.

Q.No.30. Write short notes on Core Competencies.

Meaning:

a) Core competencies are created by superior integration of technological, physical and human resources. They represent distinctive skills as well as intangible, invisible, intellectual assets and cultural capabilities.
b) Cultural capabilities refer to the ability to manage change, the ability to learn and team working.
c) Every organisation is a bundle of few core competencies, each supported by several individual skills.
d) Diversification based on core competencies will reduce risk and investment. It increases opportunities for transferring and learning best practices across business units.

Identification: A core competence is identified by following tests

a. **Leverage Test:** Does it provide access to a wide variety of markets?
b. **Value Enhancement Test:** Does it make significant contribution to the perceived customer benefits of the end product?
c. **Imitability Test:** Can it be imitated? Does it reduce the threat of imitation by competitors?

Examples:

a. Small Retail shops have core competencies & gain competitive advantage in the areas of - (i) personal service to customers, (ii) extended opening hours, (iii) internal credit, (iv) home deliveries, (v) style of the owner, and (vi) choice of location.

b. However, Big Departmental Stores and Supermarkets have special core competence in the areas of - (i) merchandising, (ii) securing supplies at lower cost, (iii) in-house activity management, (iv) computerized stock/ ordering/ billing systems and (v) own brand labels.

c. Super markets compete with one another with core competencies as to - (i) locational advantage, (ii) quality assurance, (iii) customer convenience in shopping, etc.

d. Competitors may imitate or develop similar core competencies. In such a case firms should continuously gain more core competencies in other areas and shift the ground of competition. Thus a company can gain long run competitive advantage.

Q.No.31. What are the advantages of Identifying Core Competences?

1. Core competencies provide **competitive advantage** to the firm.
2. If a firm can match core competencies with the changing nature of environment, it can earn **more profits**.
3. On the basis of core competencies firms can enter into **new opportunities**.
4. With the help of core competencies a firm can maintain **progress even after the saturation** of traditional markets.

Q.No.32. How should a firm use Core Competencies?

Applying the VCA approach to core competencies for competitive advantage includes the following steps:

1. **Validate core competencies in current business:** Core Competencies should tie together the portfolio of end products and help a firm excel in dominating its industry. Core Competencies should be continuously validated, due to continuous technological developments taking place over a period of time.
2. **Export or leverage of core competencies to the value chains of other existing businesses:** The same set of core competencies can be exploited in multiple businesses by exporting core competencies to the value chains of other existing businesses.
3. **Use core competencies to reconfigure the value chains of existing businesses:** Some firms may manage their existing value chains better than their competitors. But sophisticated firms work hard in using their core competencies to reconfigure their value chain to improve payoffs. Otherwise, competitors may exploit opportunities.
4. **Use core competencies to create new value chains:** With strong core competencies in its existing businesses, a firm can get new customers by developing new value chains.

Q.No.33. Write short notes on managing linkages.

Introduction:

1. Core competencies in specific activities may provide competitive advantage to a firm, but it may be imitated by competitors also.
2. It is very difficult to imitate core competencies if they are related to - (a) the management of linkages within the firm's value chain and (b) linkages into the supply and distribution chains.
3. These linkages will create some leverage (advantage) and levels of performance which are very difficult to match by competitors.

Internal Linkages:

1. **Between primary activities:** Linkages between primary activities should be analysed. For example, higher stock holding will minimize problems in production scheduling, avoid stockouts and provide customer satisfaction due to quick response time. The firm should compare the value added to the customer with the additional cost of carrying stock.

2. **Primary and support activities:** Linkages between primary and secondary activities which provide core competencies should be analysed. For example, an efficient computerised system for managing purchases can reduce operational costs significantly.

3. **Between support activities:** Core competencies may arise due to linkages between support activities. For example, a sound HR policy and atmosphere of trust and goodwill can motivate employees in R&D division, thereby providing competitive advantage to the firm.

External Linkages: Some examples of external linkages leading to core competence and competitive advantage are:

1. Vertical integration attempts to **improve performance** through ownership of more parts of the value system, making more linkages internal to the organization.

2. Specifying raw material attributes and qualities, providing quality assistance to suppliers, and evaluating supplier's performance (through penalties for defectives supplied) can provide core competence in quality improvement and cost reduction.

3. Involving distributors at the design stage of a product, providing advertisement materials, etc. to distributors, using improved grading, sorting and merchandising activities, can provide core competencies in the distribution value chain.

LEADERSHIP & CORPORATIVE CULTURE

Q.No.34. What are the leadership roles to be played by a strategic manager?

Strategic managers have the following leadership roles to play, to ensure effective strategy execution:

1. **Staying on the top** of what is happening, closely monitoring progress, solving issues and eliminating obstacles in the path of good execution.
2. Promoting a culture of 'esprit de corps' (**i.e. team spirit)** that mobilises and energizes organizational members to execute strategy in a competent manner and perform at high level.
3. Keeping the firm responsive to changing conditions, alert for new opportunities, implementing **innovative ideas** and developing valuable competencies and capabilities, ahead of rivals.
4. Exercising **ethics leadership,** so that the firm conducts its affairs like a model corporate citizen.
5. Taking **corrective actions** to improve strategy execution and overall strategic performance.

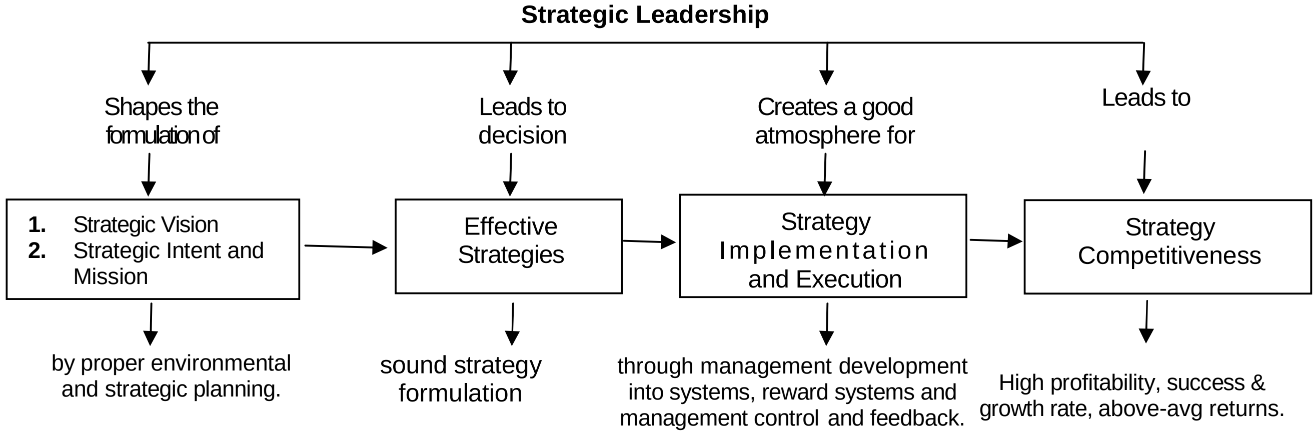
Leadership Roles - various aspects

Visionary Chief Entrepreneur and Strategist Chief Administrator Decision-Maker Culture Builder Resource Acquirer and Allocator Capabilities Builder	Crisis Solver Spokesperson (= representative) Negotiator Motivator Arbitrator Process Integrator	Head Cheerleader Perceptive (=insightful) listener Decision-Maker Coach and adviser Policy maker Policy enforcer

Q.No.35. Bring out the role of leadership in strategy implementation.

1. Strategic leaders must be able to use the strategic management process effectively by
   a) guiding the company in the formation of strategic intent and strategic mission,
   b) facilitating the development of appropriate strategic actions and
   c) Providing guidance that results in strategic competitiveness and earning above-average returns.
2. Strategic leadership requires the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as and when necessary.
3. Strategic leader can guide the company by:
   a) influencing the behaviour, thoughts and feelings of co-workers,
   b) managing through others,
   c) successfully processing,
   d) dealing with change and uncertainty.

4. Strategic leaders must adapt their assumptions, premises, and accepted wisdom so that they can deal with rapid, complex changes.



Q.No.36. What are the responsibilities of a strategic leader?

The responsibilities of a strategic leader include:

1. **Managing human capital,** since human resource is the most valuable resource and will directly affect the firm's performance.
2. **Managing** firm's operations during strategy implementation and execution stages.
3. **Sustaining** (= achieving) high performance over a period of time.
4. Taking **bold and courageous** decisions. But at the same time, the decisions should be practical and feasible.
5. Seeking feedback through face-to-face communication, thereby motivating people.

Q.No.37. What do you mean by corporate culture?

1. **Meaning:**
   - **a)** Corporate culture refers to company's values, beliefs, business philosophy (=viewpoint, thinking) and principles, traditions, work climate, ways of operating and approaching problems & internal work environment.
   - **b)** The firm's own beliefs and behaviour, thought patterns, business practices, and personality, lead to its **corporate culture.**
2. **Manifestation** (= appearance)**:** Corporate culture comes from the complex sociological forces operating within the company. It is reflected from:
   - **a)** Values and business principles that management speaks and practices,
   - **b)** Ethical standards and official policies,
   - **c)** dealing with employees, unions, stockholders, vendors and the communities in which firm operates,
   - **d)** traditions that an organisation maintains,
   - **e)** supervisory practices,
   - **f)** employees attitudes and behaviour,
   - **g)** Legends that people repeat about happenings (= activities) in the firm,
   - **h)** Peer pressures, organisation's politics, "chemistry" and the "vibrations" that exist in the work environment.

Q.No.38. Is culture an obstacle or ally (= helper, supporter) in strategy execution?

1. Whether culture is an ally or obstacle to strategy execution depends on the compatibility between the company's strategy and its culture.
2. If there is compatibility then culture becomes a valuable ally in strategy implementation.
3. It there is a conflict between culture and company's direction, performance targets or strategy then culture becomes a hurdle in the successful implementation and execution of the strategy.
4. If there is a sizable conflict between strategy-culture and it is prolonged then it will weaken and may even defeat managerial efforts to make the strategy work.

5. A strategy-culture conflict requires –

   (a) redesign strategy so that it is culturally fit, and

   (b) redesign the mismatched cultural features to fit the strategy.

Q.No.39. What are the advantages of 'good fit' or 'alignment' between strategy and culture?

1. **Motivation:** A culture grounded in values, practices and behavioral norms will **energize people** throughout the company, to do their jobs in a strategy supportive manner. It significantly increases the power and effectiveness of strategy execution.
2. **Creativity:** A culture with creativity, acceptable change and challenging the status quo is conducive (= favourable) for successful execution of a product innovation and technological leadership strategy.
3. **Customer service:** A culture with business principles like motivating employees for their work and participative decision-making promotes strategy of superior customer service.
4. **Influence:** Proper alignment of culture and strategy channelises employees' behaviour and influences them to work in a strategy-supportive manner.
5. **Operations:** Strategy supportive culture will shape the mood, temperament (= character, personality) and motivation of the workforce, positively influencing organisational energy, work habits and operating practices and the degree to which organisational units co-operate.

<u>Conclusion:</u> Thus, a 'good fit' between culture and strategy will stimulate the employees to accept the challenge of:

a. realising the company's vision,

b. do their jobs competently and with enthusiasm, and

c. collaborate with others, to effectively implement the strategy.

Q.No.40. Outline the process of changing a problem culture.

Intensive management action is required over a period of time:

a. to replace an unhealthy culture with a healthy culture or

b. to root out certain unwanted cultural obstacles and introduce new ones that are more strategy-supportive.

Steps in this process:

1. Diagnose which areas of the present culture are strategy supportive and which are not.
2. Talk openly and forthrightly (= straight forwardly, directly) with the concerned persons about the aspects of the culture that need to be changed.
3. Follow-up with visible, aggressive actions to modify the culture. Everyone should understand that these actions are intended to establish a new culture which is in tune with the strategy.
4. Revising policies and procedures in such a way that it will help to drive cultural change.
5. Make changes in incentive system so as to reward the desired cultural behaviour,
6. Visibly praise and recognize people who display the new cultural traits (= qualities),
7. Recruit and hire new managers and employees who have the desired cultural values and can serve as role models to others. Replace the key executives who are strongly associated with the old culture.
8. Communicate the basis of cultural change to employees and its benefits to all concerned.
9. Get the support of first line supervisors and employee union leaders. Convince them of the merits of practicing cultural norms at the lowest levels in the organization.

The End