

Strategic Management – The Competitive Edge

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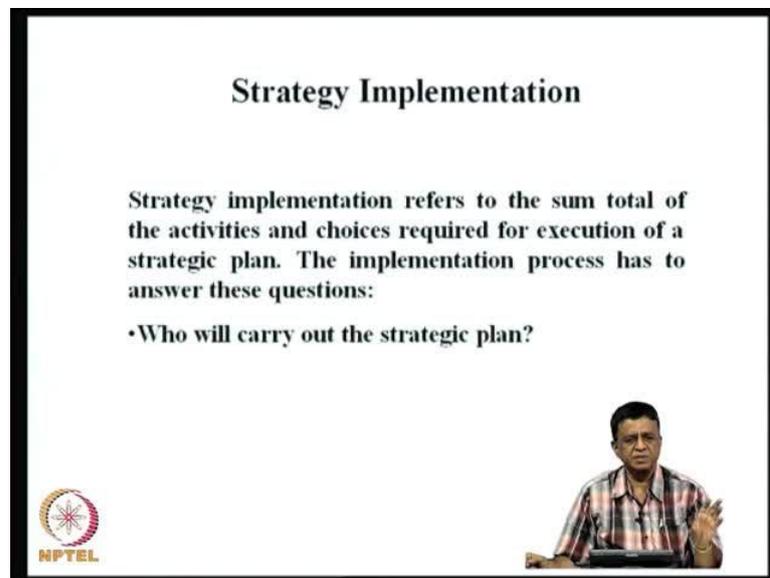
Module No. # 05

Lecture No. # 27

Strategy Implementation – 1

Welcome to this class; let us now discuss the implementation of strategy. What is meant by strategy implementation? Strategy implementation refers to the sum total of the activities and choices required for execution of the strategic plan.

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We have discussed: what is meant by strategic plan? What are the steps that are involved in the strategic plan? How do we go about it? So, the process of the strategic plan itself, we have discussed in great detail.

Then, we have looked at the business landscape and we have looked at the internal environment of the organization. Then, we have looked at how we can draw the SFAS matrix. That is a strategic factor analysis matrix for the organization.

So, then after doing all that who should implement. We have now come to the stage, where we have identified the strategies for the organization, how should these strategies get implemented. So, using the IFAS matrix, the EFAS matrix and then coming to the SFAS matrix.

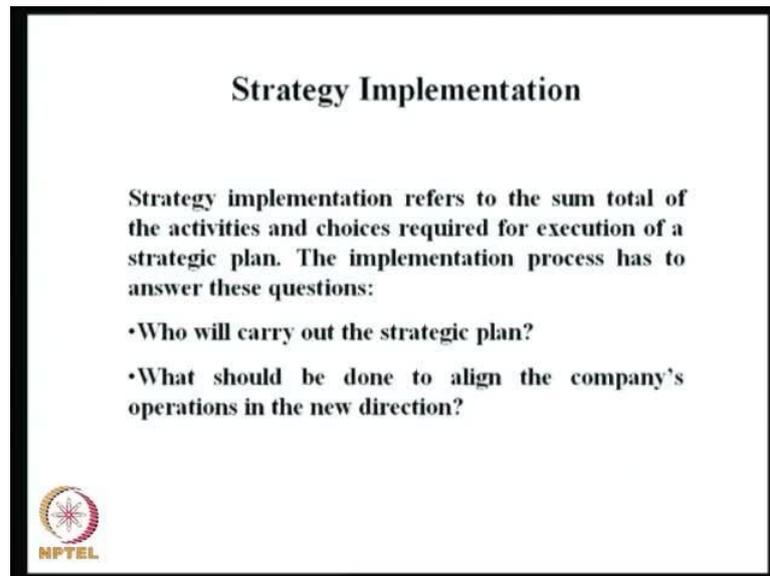
We have come to a stage, where strategies are identified, where strategies are there on the canvas that is on the drawing board, they are there to be implemented. So, we have to see how this implementation process can be adopted or can be gone through in organizations. So, we look at this process.

How do we implement strategy in the organization? This implementation process has to answer essentially these following questions: one - who will carry out the strategic plan? As I mentioned to you, in many organizations now the trend is to categorize them into strategic business units.

Take an organization, see how many SBUs can be identified in that organization. That is a company, I try to take different examples in these classes which have gone by and explained to you. How you can look at an SBU? An SBU has its own products, product lines; it has its own markets and competitors. Then, it has its own strategic planning sell. So, it draws up the strategic plan.

So, this is for the SBU concern. So, for the entire organization itself, there will be a strategic planning unit or a division. So here, we have to identify whether it is with respect to the SBU or whether it is with respect to the organization; identify the person or the persons, who will carry out the strategic plan.

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Strategy Implementation

Strategy implementation refers to the sum total of the activities and choices required for execution of a strategic plan. The implementation process has to answer these questions:

- Who will carry out the strategic plan?
- What should be done to align the company's operations in the new direction?



In other words, you are fixing up the responsibility on an individual or individuals to carry out that particular portion or the entire strategic plan. So, this is what it comes to. And then the second one is - what should be done to align the company's operations in the new direction? This is a very important crucial question, which you have to answer. As I told you, many times when you are looking at strategies, the alternative strategies, sometimes you may have to redefine the objectives of the organization itself.

The organization came into being to fulfill a certain set of objectives, the changed business environment or the changing business environment. What is it doing? It is making the company to look at the objectives in the changed business landscape.

There may be a requirement for you to redefine the company's objectives. So, that has also got to be aligned in the new direction. Redefine does not mean give up the objectives for which the organization was formed.

You are only redefining that portion where you think some modification is required in the changed circumstances, because the changes that are taking place in technology, consequently in the market conditions, they are simply tremendous with respect to the environment.

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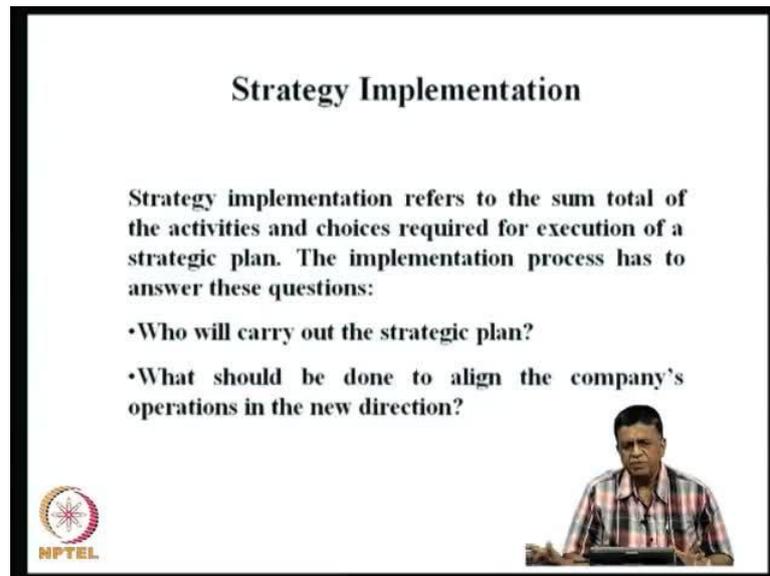
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If you really see take any industry for that matter; you do not have to really look at an IT industry; it can be any manufacturing industry also. It can even be construction industry. So, if you look at the type of changes that are taking place in these sectors it is just tremendous.

And that requires alignment of the company's operations in the new direction and for which you have to identify the people or the individuals who will do this job. So, this is the second part of this implementation process.

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Strategy Implementation

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The first part is you identify the individual individuals to carry out the strategic plan. The second part is to align the company's operations in the new direction. So, the best example for this is if you really look at our country you have this. What do you call the golden quadrilateral, what is this golden quadrilateral?

You have this National Highway Authority of India, that is the N H A I trying to link all the four zones of the country through this golden quadrilateral, which was one of the what do you call the cherished objectives of the Farmer Prime Minister, Mister Vajpayee. He wanted to link the north south east and west through this golden quadrilateral.

So, if you really see some of the roads which have been constructed under this the national highways, which have been constructed under this is something superb comparable to any other developed countries.

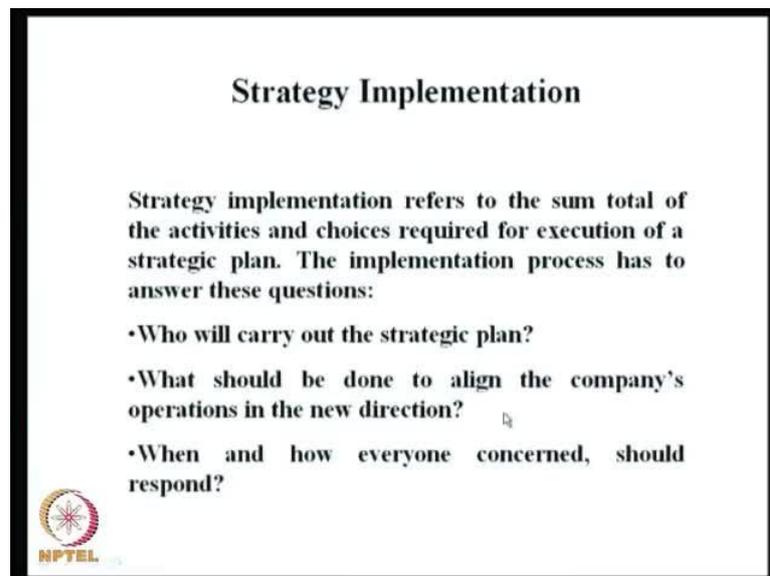
You take the NH 7 which links between Bangalore and Chennai you have a wonderful four lane highway both on either sides of the road and you have a service bay also. All these required the N H A I itself to orient its companies of the its objectives in the new direction.

So, this is the type of thing so because you are really looking at a scenario were a large number of vehicles pass through. Then you have this toll collection at different points

where the users of the road pay a user fee to for the maintenance and up keep of this road. All this was aligning the company's operation cause or aligning the company's operations in the new direction.

Similarly, with respect to any company operating in the present day setup so many changes are required to be gone through. So, this you have to identify. Who is going? What is a type of alignment required?

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The third important thing with respect to the implementation process, when and how everyone concerned should respond. See, this is very important. If you really look at it, look at Bangalore; the city is growing at a tremendously fast rate, one of the fastest growing cities in the world.

So, now the infrastructure is not geared up to this growth. Never did the planners expect Bangalore grow at this rate. Now what do you do when this type of growth is taking place. One of the sectors which is strained to the maximum or bearing the maximum strain is the transport sector. People want to use their vehicles.

But what has that done. It has increased the number of private vehicles beyond imaginable limits. The increase is more than 300 percent compare to 1981 and it is huge. This type of increase, whether the existing infrastructure of the city roads can bear is one question.

The second question is in order to lessen this burden on transportation the transport corporation increased the number of buses. That increase has been very substantial even that has to be borne by the existing roads.

Now, in order to bare this increasing vehicle traffic, the existing road capacity is not really capable. So, the result is at several points the planners started looking at widening the roads.

If you look at widening the existing roads, it calls for demolition of certain buildings. That creates another set of problems.

Now, so many agencies are now getting involved. Here is the Bangalore municipal corporation, then here is the Bangalore transport corporation, here is the individual house holder, then the vehicle user, now added to this the new one which has come which it says that we will take a large amount of this burden of transportation that is the metro.

So, in the construction of this metro you find that so many things have gone into disarray that is the existing systems have been disturbed to such an extraordinary extent in many of the existing roads, the result is traffic moves very slowly and many times resulted in many of the unwanted situations also of accidents etcetera.

And sometimes the metro itself was found wanting because many times there were some caving in of earth resulting in loss of life all those types of things. So, this is what it means the third process when and how everyone concerned should respond.

So, these are strategic decision. The strategic decision is to improve the infrastructure. Now, when you are implementing this so many agencies are coming into play. How should every agency respond? It is not just one agency which comes into play so many agencies are involved.

Similarly, with respect to a company it is not just one functional area. If you just say increase the sales. What is meant by increasing the sales? It means increase the production also production department also comes into play.

So, if it is increasing the production purchase department also comes into play. So many people get involved so all these are process which are coming into the organization.

Now, in order to do all this what we look at is what are this know what is the type of we look at a table. That table is also presented to you in my book.

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Function	Stage I	Stage II	Stage III
1. Sizing up: Major problems	Survival and growth dealing with short-term operating problems	Growth, rationalization, and expansion of resources, providing for adequate attention to product problems	Trusteeship in management and investment and control of large, increasing and diversified resources. Also, important to diagnose and take action on problems at division level
2. Objectives	Personal and subjective	Profits and meeting functionally oriented budgets and performance targets	ROI, profits EPS
3. Strategy	Implicit and personal; exploration of immediate opportunities seen by owner-manager	Functionally oriented moves to "one product" scope; exploitation of one basic product or service field	Growth and product diversification; exploitation of general business opportunities
4. Organisation: Major characteristic of structure	One unit, "one-man" show	One unit functionally specialized group	Multunit general staff office and decentralized operating divisions
5. (a) Measurement and control	Personal criteria, relationships with owner, operating efficiency ability to solve operating problems	Functional and internal criteria such as sales, performance compared to budget, size of empire, status in group, personal relationships, etc	More interpersonal application of comparisons such as profits, ROI, PIE ratio, sales, market share, productivity, product leadership, personal development, employee attitudes, public responsibility
(b) Reward/punishment system	Informal, personal, subjective; used to maintain control and divide small pool of resources to provide personal incentives	More structured; usually based to a greater extent on agreed policies as opposed to personal opinion and relationships	Allotment by "due process" of a wide variety of different rewards and punishments on a formal and systematic basis. Companywide policies usually apply to many different classes of managers and workers with few major

So, this if you go to my book on page number 144. I look at the stages the corporate development stages. What is the type of structural development companies follow as they grow and expand and how do they really, go from stage I to stage II to stage III. I will just give a few points here we will discuss a few points on this.

Let us look at this stage I organization. What is a stage I organization? I have described this stage I organization in page number 143 of my book so what does it mean this stage typifies an entrepreneur promoted company. So, it is a company promoted by an entrepreneur. Important decisions are taken by the entrepreneur.

He is also involved in every crucial detail and in different phases in the organization. Managerial functions are performed in such structures to a very little degree so because the entrepreneur himself is getting involved in each and every crucial decision of the organization.

The structure allows flexibility and dynamism depending on the drive of the entrepreneur. If the entrepreneur were to fail the company also flounders creating a crisis of leadership. Hot mail in its initial stages could be sighted as an example of a stage I

form that is by Sabeer Bhatia started by an Indian. Now since then since acquired by Microsoft.

Stage II: what are stage II organizations? Stage II organizations refers to when a team of managers with functional specialization replaces the entrepreneur, we have the functional structure of the organization.

The transition requires a substantial change in managerial style on the part of the entrepreneur of stage I. The strength of the structure lies in its concentration and specialization in different fields.

However, its real weakness is that all it is x are in one basket. When such a firm diversifies into other products in different industries the advantages of the functional structure are not available.

A crisis of autonomy may be created where managing diversified product lines calls for more freedom of decision making. Then look at what is stage III: stage III companies in this stage are characterized by decentralized decision making authority in managing diverse product lines.

These companies grow by diversifying their product lines and widening their geographic base they have a critical central headquarter and decentralized operational divisions with each division operating as a stage II company that is a functional organization.

There are a number of organizations that can be quoted as examples for this stage III, what I have quoted is one such firm the M S I L a large export house setup by the government of Karnataka.

Stage IV: here, the company look tries to look beyond SBU's. Two possible structures could be the matrix and the network structure, so we will look at it when we go along.

These structures emphasize horizontal connection between people and groups and organize work on temporary projects with sophisticated information systems. So, N T P C could be the national thermal power corporation could be such one such example of a stage IV company.

Now, let us look at this different functions see, how we can differentiate the stage I, stage II and stage III organizations with respect to the strategic implementation process.

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Sizing up: what is a sizing up? With respect to stage I it is a major. What are the types of major problem that you may encounter? Survival and growth dealing with short-term operating problems see, when you are in a stage I organization it is not just strategic planning process, strategic planning and implementation process. You are also involved in the day to day functioning of the organization, in fact the survival of the organization.

So many times for small scale industries the working capital. Mobilizing the working capital holds the key, how do you mobilize this working capital? It has to be done on a day to day continuous basis.

So the entrepreneur is stretched to the maximum so he is really stretch to his limits so this is where it comes. So this is a sizing up can be quite a major problem, for a stage I company. What is the position with respect to a stage II company? Growth, rationalization and expansion of resources providing for adequate attention to product problems.

What is the characterization of this stage II? You are having a functional organization when you are having a functional organization this functional setup allows you to have

rational implementation. So, you can do this growth rationalization. Set apart one portion to one functional area the other portion to the other area.

And then try to integrate when it goes along that is the synergistic experience for strategy implementation. So, you bring that into play and a good strategic manager will be able to do this with real aplomb in organizations.

So, these types of things happen on in a routine manner, if you really look at many organizations, whether it is software like Infosys or manufacturing like Tata's on a routine a routine manner, you have a set of highly competent individuals looking at this process.

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What about the stage III organizations? Trusteeship in management and investment and control of large, increasing and diversified resources. Also, important to diagnose and take action on problems at division level.

So, you are looking at the, what do you call this central head quarter level and when you are looking at the central head quarter level you are looking at the different subsidiaries of this company, how it is growing and whether you any of these companies required parenting.

What is the type of parenting that is required? This is what we discussed as corporate parenting. So, this implementation process calls for this efficient parenting, efficient corporate parenting as well in a stage III organization.

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So now, suppose you look at the objectives, what are the types of objectives in a stage I organization? They are personal and many times subjective. So, it is more like it is more based on the types of intrusion many times.

And by the types of inferences, which the entrepreneur might be drawing on his own due to certain situational, you may call it a crisis or you may call it the situational complex that has arisen.

So, he is more interested in achieving a certain set of objectives, which are his personal objectives. That is he started that company to achieve a certain set of objectives so it they are personal and subjective.

What happens in a stage II organizations? That personal and subjective goes. So, profits and meeting functionally oriented budgets and performance target each functional area has to operate according to its budget has to deliver.

Yesterday, one of the well-known recruiting organization, wanted to recruit one of my research students. They were telling me that my student has to deliver from day one. I was really stunned.

I said, look how can he deliver from day one? He is not knowing the business environment of your organization. Then the organization comes out with an explanation sir, we are taking him at a band, which is so critical to the functioning of the organization and it is a very critical function of the organization he has to be accountable for profits from day one. What does that mean? It means that the present environment as I told you, which is changing very fast for most of these organizations calls for a different set of inputs from the employees also.

So, they should be prepare to take on responsibilities right from the first day. So, they cannot say we will undergo a familiarization program after we undergo a familiarization program, then we will get accustom to the environment in the organization then we are geared up to taking responsibilities.

So, those were the stages which we use to see or visualize about 10 to 15 years back in organization. This last 10 years especially, has made a radical shift in the working of Indian organization.

So, this familiarization this taking responsibility, training all this has to go along simultaneously, you cannot say first - I will get familiarized; then I will get trained; then I will take on responsibility. No, because what is the whole this thing the concept you are working on time schedules in organizations now. So, the result is even as a young employee you may be stretch to the maximum. This is what is happening in organizations.

Now, when you come to a stage III, what is this? The return on investment the profits the earnings per share all these come into play. So, you have so many companies you keep on looking at when you say we implemented this strategy. The question that will be asked is what is a return on investment? What is a profit that we made? And how did our earnings per share? How does it reflect all this?

Now, when you look at strategy, in a stage I organization it is implicit and personal so, exploration of immediate opportunities seen by owner manager so individual oriented so the entrepreneur orientation.

He is the person, if you really see this is the entrepreneurial mode of decision making which I quoted in the first initial classes of this subject given by Mintzberg. Then, when you come to stage II, the functionally oriented moves to one product scope exploitation of one basic product or service field.

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So, you look at one product in one service. Then, when you look at stage III there are so many things like growth and product diversification, exploitation of general business opportunities. So, you have so many subsidiaries doing so many types of businesses.

One for example, the organization which I just looked at for stage III as the example M S I L. So, they are looking at exports of this Agarbatti's to exports of software. They are also looking at the exporting now into the liquor business as well. So, all these things are involved.

The result is you have a highly diversified product line and when you have a highly diversified product line your strategic. Strategy implementation process also becomes to that extent that much more complex, but at the same time that much more challenging.

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Fourth one: what are the major characteristics of the organization structure? So, when you look at this stage I: It is one unit, one-man show. When you look at stage II: It is one unit, but fictionally specialized group you have different functional areas.

When you look at stage III: It is a multiunit general staff which is office and decentralized operating divisions. You have so many divisions which are going on which two different types of activities.

Then what is the type of measurement and control which you are having? If you look at the type of measurement and control in stage I, personal criteria's tend to dominate that is the owner. What is the type of impression? That he develops about an employee, all those types of things more dictated by his own personal criteria.

But when you come to stage II, it becomes more and more managerially oriented you setup objectives, so whether it is sales or whether it is operations, so you have a performance compared against the budget the size of operation, the size of the empire, all those types of things, what is your roll in the organization and what is it that is expected.

So, this management by objectives everything comes into picture. When you are looking at a stage III, it is more interpersonal application of comparisons, so you look at profits you look at R O I in addition to this M B O what I just mention, so you look at your

management by objectives, but you look at it for a subsidiary division if you look at a division as a subsidiary of the main company how do you look at this objectives.

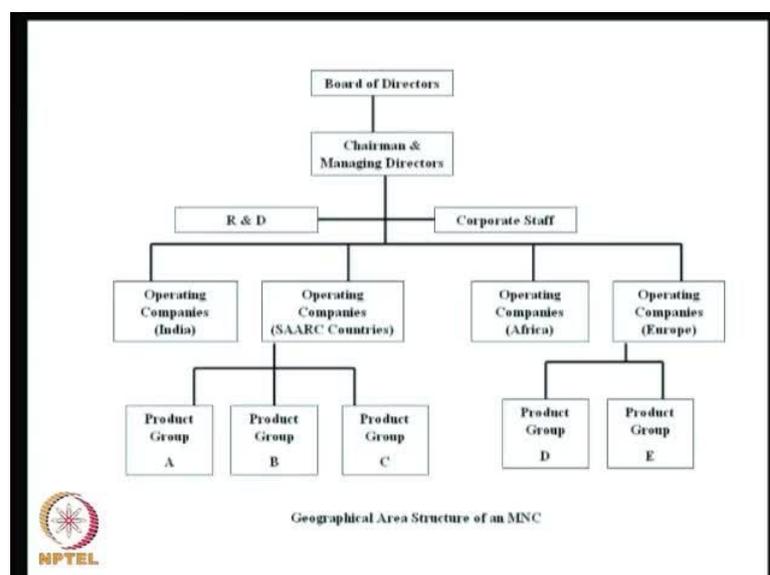
How do you look at the R O I of this division? How do you look at the Price Earning ratio of the company? So, we using these operations of this division all those things come into play.

Then what about the rewards and the punishments system? In a stage I organization it is an informal, personal, subjective so that the owner is very happy with you. He is very happy to reward you, if finds that you are highly creative, so immediately you get a reward.

What happens in stage II? You may be highly creative, you may get a reward, but it is more structured so you get a reward based on evaluation of with respect to the different functional groups, so it is not based on the intuition of one particular individual.

Then, when it comes to stage III, how does it work? It is allotment by due process of a wide variety of different rewards and punishments on a formal and systematic basis. So, you go through a formal system, then companywide policies usually apply to many different classes of managers and workers so with few major exceptions for individual cases. So, this is the way stage I stage, II stage, III organizations differentiate themselves with respect to this strategy implementation process.

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Now, look at when I said, we grow you can look at a stage IV, when we look at a stage IV you have a what is the type of structures that you are looking at, you may be looking at a structure which is having a board of directors. This board of directors may be having a typical M N C, it may be having Chairmen and Managing Directors and then it may be having R and D, the Corporate Staff, you may be having operating companies, operating in India, the SAARC countries, the African countries or the European countries.

Then you may have different groups of products like product group A, B and C then you may have product group D and E for Europe. This A, B, C for what do you call the American the SAARC countries then the D and E for the European countries.

All this result to you in what is called a certain set of responsibilities delegated, to the persons who are heading each of these product groups. So, this is based on the geographical area structure of an MNC, how it goes?

Now, the matrix and the network structure is given to you in my book on page 146. So, what does the matrix and this networks structure generally do? A good example for this matrix structure or all this networks structure is Dell Company.

So, what does it do if you really see? In the matrix structure the functional and the products structures are combined simultaneously, at the same level of the organization. So, for this matrix structure to come into being 3 conditions must exist one is ideas need to be cross fertilized across projects or products.

So, you have scarce resources, then the ability to process information and to take decisions that is make this decisions need to be improved when these 3 conditions are there you can look at this matrix structure.

There are 3 distinct phases. One is a temporary cross functional task force. So, when you introduce a new product the project manager is the key link, Boeing makes use of this approach.

You can also use a product or a brand management when the cross functional task force becomes more permanent. The project manager becomes product stroke service brand manager and the second phase begins.

The product service brand managers act as a integrators of semi-permanent products or brands. Procter and gamble is an example for this highly successful.

Then, mature matrix is the third and final phase, where it is a true dual authority structure here both functional and product structures are permanent. The reporting is to a vertical functional superior and a horizontal product manager both of them have equal authority and must work in unison to resolve differences. However, it must be stated that this form has not been very successful.

What about the network structure? The network structure is considered as a non-structure by many. What does it involve? Several in-house business functions are eliminated and a number of activities are out sourced.

Such an organization can be considered as a virtual organization. Since there are several projects groups, that are changing constantly. So, you may have a packer, you may have a supplier, you may have a distributor, you may have a designer, you may have a manufacturer, all these controlled by the corporate headquarters, he may be virtually acting as a broker in this whole set so that is the network structure.

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Classification	
According to Risk :	Low Moderate High
Courses of Action	: Niche Vertical Integration – Backward and Forward Horizontal expansion Diversification
According to desired rate of growth: Alternatives are	- Internal Expansion. (adding more capacity) - Internal Stability (by augmenting resources) - Internal retrenchment or turnaround (eg: Hind. Photo-Films) - External Retrenchment or Divestiture (ITDC- decided to close Hotel Akbar some years ago) - External expansion through mergers - Combination of the above strategies
Selection of Strategy	: Based on growth objects, resources, S&W, government policy & best method to close the gap between projected performance and desired performance; PL-C of product/SBU could also be helpful; marginal factors (attitudes towards risk) also influence selection.

Now, when you look at all this, if you look at the Indian context you look at this classification of organizations according to the types of risks, whether the risk is moderate or high or low.

What is the type of action that you can look at with respect to an organization? So, if you look at the types of actions that you can look at for an organization based on this, you can suggest that an organization can go into niche market or it can look at vertical integration that is backward and forward or it can look at horizontal expansion or it can look at diversification.

Now, all these are dictated by different consideration suppose you say my consideration is rate of growth of the organization. How do you really look at the types of alternatives that are available to you?

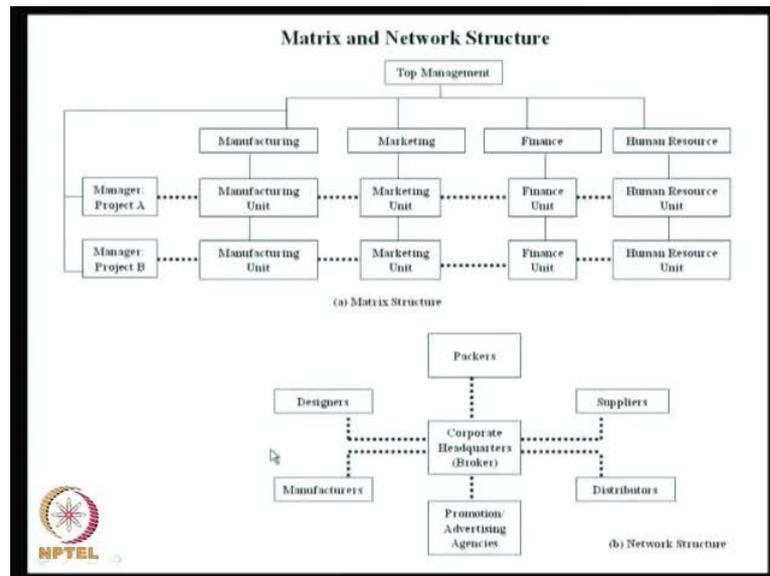
The alternative can be internal expansions. So, you want the organization to say produce more so internal expansion, internal stability, that is by augmenting resources internal retrenchment or turnaround. If you look at Hindustan photo films this is one example where this turnaround was extremely successful.

So, looked at their own internal organization, so came up with so many new things which helped them to come out, then the external retrenchment or divestiture so very one good example is this ITDC trying to close hotel Akbar now, given up hotel Ashok in many parts of the country. So, if you look at Bangalore hotel Ashok, really run by a different group not the ITDC it is called hotel Lilith Ashok so now, hotel Lilith only.

Now, the external expansion through mergers so this can be another way you look at growth or you can look at the combination of all these above strategies.

How do you really select this? So this strategy, the based on the growth objectives or the growth objects, resources, strengths and weaknesses, government policy and best method to close the gap between projected performance and desired performance; PL-C of product stroke SBU could be helpful; marginal factors that is attitude towards risk can also influence decision.

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This the way you really look at organization. I was trying to tell you about the matrix structure the different, then the networks structure this can be represented by these figures which are shown here -

So, you have a top management and then all these manufacturing, marketing, finance, then the human resources, so look at a project A and a project B for the matrix structure so different types of reporting's which I just discussed shown to you in the form of a figure.

So, then the corporate with respect to the, what do you call network structure where I said the corporate headquarters acts or in essence may be acting as a broker. So this is also represented to you by this figure.

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Diversification	Related: Eg. JK- from textiles to synthetic fibres unrelated	
	Related: Constrained or Controlled	
	Linked	- Closely related to main product line as well as to each other
	- Weak link	Eg: Nirlon – from nylon filament yarn for to nylon tyre cord for industrial applications to conveyor belts, V-belts,.... all based on industrial grade nylon yarn
	- Bus reln.	
	Eg: India Shaving products.	
	(Blades to toiletries and writing products)	
Qns. Co. SH. Ask:		
•Do the common skills & Res. Really exist?		
•Will the economies benefits resulting from sharing of skills and res. be substantial?		
•Will the related diversification improve overall results?		
•Will the related diversification lead to any difficulties or problems and does the Co. have cap. To overcome these?		
Unrelated diversification	By setting up new projects, Through mergers, take overs	



Now, when you look at diversification, what is the type of diversification? You can look at a related diversification. What is meant by a related diversification? So, some things which are constrained or controlled that is you are not looking away from the core business.

So, you are looking at the sometimes closely related to the main product as well as to each other suppose good example could be Nirlon - where it went from the nylon filament yarn for the nylon tyre cord for industrial applications to conveyor belts, V-belts all based on industrial grade nylon yarn.

Suppose it is a linked diversification. Sometimes there may be a weak link, sometimes there may be a business relation, so if you take this India shaving products went from blades, to toiletries, to writing products, somewhere this weak links also comes in.

But when you are really diversifying, you are or which this diversifying with respect to this related diversification so, if you really the company should ask the following questions: what is it? Do the common skills and resources really exist?

So, you are going in from one product line to another product line, do you have the common skills and resources? Understandable with respect to what do you call some products so let us say you are having, what do you call writing products.

So, if you put some other products like your gum, eraser all this can be complementary products, suppose you enter a different line like toiletries, then whether your writing products is the weak link or the toiletries is the weak link you have to look at. Suppose you are in the what do you call the blades business, then the toiletries, can be your after shave or whatever can be a an add-on, can be a complement to this existing line.

Then, what are the types will the economies benefit will the economies benefit resulting from sharing of skills and resources will they be substantial, then will they related diversification improve overall results, will the related diversification lead to any difficulties or problems and does the company have capacity to overcome this.

In other words, you have to look at the types of problems which you may also really face by diversifying. Sometimes, many suggest many consultants keep on suggesting diversification.

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Diversification	Related: Eg. JK- from textiles to synthetic fibres unrelated
	Related: Constrained or Controlled
	Linked
	- Weak link
	- Bus reh.
	Eg: India
	Shaving products.
	(Blades to toiletries and writing products)
	- Closely related to main product line as well as to teach other
	Eg: Nirlon – from nylon filament yarn for to nylon tyre cord for industrial applications to conveyor belts, V-belts,.... all based on industrial grade nylon yarn
Qns. Co. SH Ask:	
•Do the common skills & Res. Really exist?	
•Will the economies benefits resulting from sharing of skills and res. be substantial?	
•Will the related diversification improve overall results?	
•Will the related diversification lead to any difficulties or problems and does the Co. have cap. To overcome these?	
Unrelated diversification	By setting up new projects, Through mergers, take overs off running business. Eg: Hyderabad Allwun: Bus body Building to refrigerators to deep freezers, water coolers, Acs.



But internal analysis should be done thoroughly before you take a decision on diversification. What about unrelated diversification? So, you are going in for new projects sometimes you going for unrelated diversification through mergers or take overs of existing business.

So, look at Hyderabad Allwun. If you look at Hyderabad Allwun they went from bus body building, to refrigerators, to deep freezers, to water coolers, then ACs, then

watches, but what happened in the ultimate analysis. If you look at this Hyderabad Allwun, this unrelated diversification costed the organization very heavily. Costed the organization, so much to the point that the very existence of the mother organization itself was called in to questions.

So, the result is the organization paid very heavily for this unrelated diversification and if you look at the present scenario, Hyderabad Allwun no longer exist. It was a very good organization a few years back.

And due to some decisions taken on these types of diversification this proved very costly to the organization itself. Threatening the very existence of the organization and threaten the very existence to such a point that the organization seize to exist.

So, if you really look at this present scenario. The organization seizes to exist that is Hyderabad Allwun seizes to exit. So, in other words you have to be very careful about this diversification.

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Planned diversification
Options to Management

- Status Quo
- Sail with the wind
- Go on moving in the direction
- Move in new direction in a planned manner

Diversification in an ongoing process

- Define your bus
- SWOT analysis
- GAP Analysis
- Competition & Risk analysis

Corporate diversification in India – Now actively pursued due to

- Liberalization
- Indian Entrepreneur willing to think big and grow big
- higher risk bearing attitude by financial institutions
- Middle class confidence in equity market
- shrinking demand for Indian consumables abroad; so joint ventures in India; 'NRI' scheme for technology & finance flow
- Massive market expansion (largely middle class domestic market)

The other way of looking at diversification is to look at a planned diversification. There are several options to the management one is to have a Status Quo that is do not do anything whatever is there go along with it or Sail with the wind.

Somebody is doing something in a different line find out whether you can go along with in the same direction. Go on moving in the existing direction that is you have what do you call in the direction which you are there go on moving in the direction. Move in direction in a planned manner.

But the fact of the matter is you must know that whether you like it or not, this diversification is an ongoing process, in order to look at diversification you must look at define your business properly, do a good SWOT analysis, do a good GAP analysis, then do a good Competition and RISK analysis.

And this diversification in the Indian scenario has become highly pronounced in this L P G era because the Indian entrepreneur is also willing to look at diversification earlier, you was very hesitant, use to keep on thinking suppose I do this and I incur very heavy losses what is going to happen.

Now, is in other words, his risk taking ability of the Indian entrepreneur is coming to the fore he is prepared to take risks. So, this is also facilitated by financial institution supporting him and you have a middle class, which has put in lot of money in the equity market in the Indian scenario.

So, that confidence is also making them to look at diversification and you have the result is the domestic markets if you really see, what is really happening the Indian domestic market.

So, it is they find that there is a lot of potential in that the Indian domestic market which can be tapped and many schemes are there viewing the NRI to make investment and if you really look at the present scenario, you have a large domestic market waiting to be tapped.

And or being tapped very well in the present few last few years. So but still lot of potential exists for this diversification, so we stop here we continue in the next class. Thank you.