

Strategic Management – The Competitive Edge
Prof. R. Srinivasan
Department of Management Studies
Indian Institution of Science, Bangalore
Module No. # 05
Lecture No. # 28
Strategy Implementation – 2

Welcome to this class, we were looking at the corporate diversification in India in the last class. What is an impetus given due to this liberalization process which has been initiated by the government of India in 91. How was it contributed? Now, the points that we can make out due to this liberalization is that this diversification; corporate diversification is being actively perceived.

What are the reasons? I mentioned the reasons also in the last class, just to recap. Now, the Indian entrepreneur is no longer confined to that frog in the well type of syndrome, he is prepared to think big, he is willing to think big and also grow big. The result is that he is prepared to take risks and risks of higher order. This higher order risk bearing attitude is also furthered by the type of impetus given by financial institutions to these entrepreneurs. They are prepared to help them out with taking these risks.

Added to this there is the middle class confidence in the equity market, what has that done? It has infused a lot of capital in to this equity market in the country. So, how does a capital come by buying up shares? The middle class is buying up shares of different company. The companies have at their disposal sufficient money capital for their visualized projects both ongoing as well as, future projects. So, this is the way the equity markets have contributed to diversification also.

Now, the other thing which is strongly coming in the present scenario is, we have a large domestic market which is not yet fully tapped. The Indian corporates want to tap this market whether beat in a manufacturing sector or beat in some other sector, whether it is a contraction sector or the services sector. If we look at the services sector that is one of the sectors where lot of interest is being evinced.

The economy if you really see more than 50 percent is being contributed by the services to the GDP. So, this is the way things are going in the country at the present (()).

(Refer Slide Time: 03:47)



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)

All this makes the corporate diversification quite a challenging process in the Indian scenario. So, the Indian scenario looks at this corporation corporate diversification as a challenging process now.

(Refer Slide Time: 03:59)



Integration

Horizontal – Owning (or controlling) a number of similar but separate activities in the same industry of business

Vertical – Backward – Diversifying into R/M & other supplies for the company's products – may enable a co. to improve the quality of final product Eg: Vimal

Forward – Diversification further down the line to final consumer – direct control on distribution and logistic channel Eg: Nirton

Now, we look at some aspects of integration, what is this integration? Suppose, it a horizontal integration what does that mean? It means owning or controlling as number of similar, but separate activities in the same industry or business. You look at the same,

take control of separate activity, so that you have a full control of the entire business itself many times done by reliance.

Then vertical, suppose, you are looking at backward integration vertical what does that mean? Diversifying in to raw materials and other supplies for the company's products. This may enable a company to improve the quality of the product again this Vimal clothing went into this type of mode of operation.

(Refer Slide Time: 05:14)

Integration

Horizontal – Owning (or controlling) a number of similar but separate activities in the same industry of business

Vertical – Backward – Diversifying into R/M & other supplies for the company's products – may enable a co. to improve the quality of final product Eg: Vimal

Forward – Diversification further down the line to final consumer – direct control on distribution and logistic channel Eg: Nirlon

Diversification & Synergy

Production Synergy: Co. mfg coolers, refrigerator, s ACs, getting into room heaters, ovens

Marketing Synergy: Cricket balls & bats; tennis balls and rackets

Financial Synergy: Fan manufacturers offering discount in winter

Organisation Synergy: Manufacturing organisation starting consulting services

Diversification V/s Expansion: Before diversifying company can & SH. Consider

NPTEL

In suppose, what is this forward integration? Diversification further down the line to final consumer. So, this is followed by this company Nirlon, where direct control on distribution and logistics channel is taken care of by the company. Now, when we are looking at diversification one aspect we have to take note off, what is the synergy that will accrue by diversifying? So, whether you go through horizontal integration or whether go through vertical integration or whatever might be the type of diversification you are planning related unrelated. What is the synergy that is going to accrue to you by this type of diversification? You can look at this synergy in a few categorized ways; One is the production synergy. Suppose, a company is manufacturing coolers, refrigerators, A C's then it is at a certain distinct advantage by getting into room heaters and ovens that is manufacture of room heaters and ovens, because you are not really disturbing the production line.

The production line continues and using almost the same production line you are looking at this other thing that is the room heaters and ovens. So, what is happening, you are adding 2 product lines perhaps to your portfolio. The product portfolio is getting expanded and when it is getting expanded your likely to realize synergy in the production and operation scenario. Then, what is this marketing synergy?

(Refer Slide Time: 07:19)

Integration

- Horizontal – Owning (or controlling) a number of similar but separate activities in the same industry of business
- Vertical – Backward – Diversifying into R/M & other supplies for the company's products – may enable a co. to improve the quality of final product Eg: Vimal
- Forward – Diversification further down the line to final consumer – direct control on distribution and logistic channel Eg: Nirlon

Diversification & Synergy

- Production Synergy: Co. mfg coolers, refrigerator.s ACs, getting into room heaters, ovens
- Marketing Synergy: Cricket balls & bats; tennis balls and rackets
- Financial Synergy: Fan manufacturers offering discount in winter
- Organisation Synergy: Manufacturing organisation starting consulting services

Diversification V's Expansion: Before diversifying company can & SH. Consider



You have well known firm which manufactures this, which produces this cricket balls and bats that is the (()). Now, it went in to tennis ball, suppose it going into to tennis which it has gone, tennis balls and rockets there is a synergy which comes in. The marketing operation is more or less the same, for the cricket balls and the bats as well as the tennis balls and the rockets. It will not be drastically different, you are making use of the same marketing setup to market both the cricket balls and the bats and also the tennis balls and the rockets. This you are seeing happening in so many sports activities as well.

Then, what is financial synergy? Suppose, you are a fan manufacturer let us say and you offer discount in winter, why do you want to offer discount in winter? There is less demand for fans in winter, so how should the fan market be at least kept going? If not at a high you should not make it to come to a stop. So, this aspect is exploited by a well-known Indian brand. So, who keeps on saying during winter offers different types of discounts now which has been what do you call imitated by players also in the market, this is the financial synergy aspect. You offer a discount in winter, you are actually use

for the fan for a city like Bangalore comes to you only during the summer months, in winter you are very unlikely to use the fan.

Now, organizational synergy; similarly in the north also, you may be not using the fan during the winter because it may be quite cold. The organization synergy is where let us said, you are a manufacturing organization and you start consulting services. So, this is advocated to many organizations where you find that the end product has got depleted. What could be an example? Gold mining is an example for this. So, you have this gold mining which was going on in the Kolar Gold Fields, so a few decades back the gold that was available in this K G F was substantial.

Now, the gold mining has become almost nil, there is no gold deposit available, but lot of expertise is available with is K G F gold mines on how to mine gold that can be used as a consulting service to other mining organizations, not essentially gold mining it can be also other mining activities as well. So, this is how you can tap the organization synergy where you drop on these organizations capabilities and draw and then have synergistic value.

When you are looking at diversification, some issues suppose, you as an organization let us say, you have to take a decision is it better to diversify or is it better to expand. Then, the answer could be before diversifying a company can and should, kindly note that - do not use diversification as the first option, you look at expansion in the existing product line.

A company can and should consider expansion in the existing product line before you go to diversification. So, this is what you would like the company to do. Now, when we are looking at these companies, there is one more aspect which comes in that is, what are this mergers and acquisitions? When does it take place? What is a merger? What is an acquisition, when does it take place?

(Refer Slide Time: 12:43)



Mergers and Acquisitions:

Merger - Takes place when two or more Cos roughly of equal size or strength formally submerge their corporate identities into a single one in a friendly atmosphere; a holding Co. may be formed and its shares are exchanged for shares held by the share-holders of the merging Cos

Acquisition – When a Co. offers cash or securities in exchange for the or take over the majority shares of another co. – happens when merger is not agreed upon – when the battle is severe, tgt price may be 100% above market price

Merger - Improving Economies of scale, gaining managerial expertise, market supremacy, acquiring a new product or brand name, diversifying the portfolio, reducing risk and borrowing costs taxation or investment incentives



A merger takes place when two or more companies roughly of equal size or strength formally submerge their corporate identities into a single one in a friendly atmosphere; a holding company may be formed and its shares are exchanged for shares held by the shareholders of the merging company.

Note this point that is suppose, when does the merger take place? You have 2 companies more or less of the same size and or strength, so they are equally capable or holding the same type of market shares, so what happens? They come together; submerge their individual identities to project a single company.

Now, when you are projecting a single company then, what is going to happen? Your market share is not just doubled that is a plus; it is not the market share of a plus b alone, you may find due to this synergy of the merger, it may be more than a plus b as when the holding company comes into operation.

You are going to have substantial control over the market then, what is this acquisition? Suppose, this merger sometimes is not accepted then a situation comes, where this take over or acquisition starts coming into the fore front. So, what does this acquisition is take over mean? When a company offers cash or securities in exchange for the majority shares of another company, happens when merger is not agreed up on, when the battle is severe target price may be 100 percent above market price.

Suppose, you want to acquire the another company that company first did not agree to merge with this your company, but you want to acquire that company, come what may, you want acquire that company. So, then what will you do? You try to coax the shareholders to sell their shares to you, then what happens? When the shareholders sell their shares to you; you acquire control over the company.

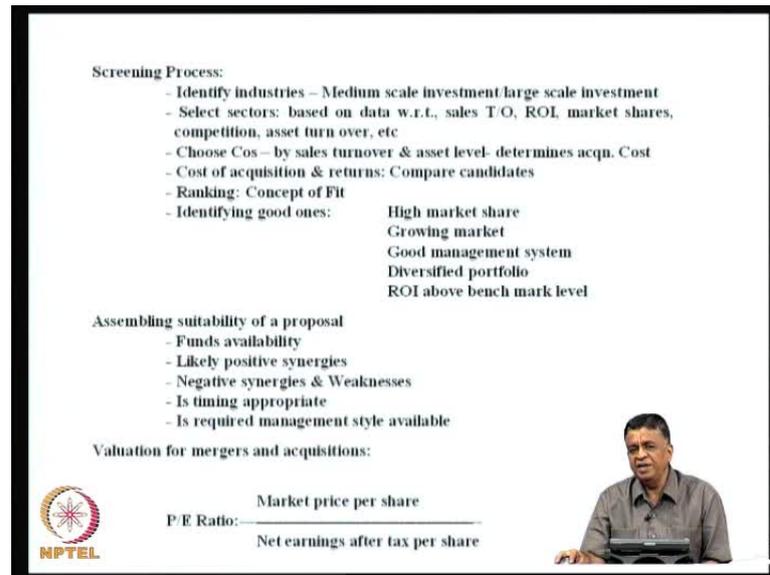
In this whole process, it is quite possible that a 10 rupee share may go beyond 20 rupees that is it may be 100 percent increase, this happened quite in the recent past. With this company Tata coffee, so they wanted to enter the coffee industry that is the coffee making business.

They how to enter the coffee making business, you have the Tata tea, they wanted to enter the coffee field. When they wanted to enter the coffee field, they zeroed in on a company called consolidated coffee, which was operating in Coorg. So, what is the type of this thing, it was almost an acquisition, but not really told as an acquisition or take over, but for all practical purposes an acquisition by Tata's because the consolidated coffee had all the facilities for this coffee industry and Tata's were was making a (()) into this. They coaxed the shareholders of consolidated coffee to sell their shares to Tata coffee. The result was all the shareholders of this consolidated coffee got a very high price for their shares, which they could not have expected if they had been traded in the market. So this is what happens, when situations of this take over sometimes become hostile and then this battle this financial battle is severe, the target price goes above 100 percent of the market price.

Then, what might be the motivations for merger? This is one more thing which you should look at. Why do to companies want to merge? The reason may be as I told you, getting higher market share or it may be improving economies of scale, gaining managerial expertise or you may want to gain that market supremacy.

Suppose, if company has producing a new product or has got another brand name which the other company does not have, by merging you get that brand name and also the product. So, the portfolio diversification is also possible, then one of the things which you are really doing by this merger is you are reducing the risk and borrowing costs and then taxation or investment incentives, you can avail of all these in the whole process. This is what happens in the whole thing.

(Refer Slide Time: 18:36)



Screening Process:

- Identify industries – Medium scale investment large scale investment
- Select sectors: based on data w.r.t., sales T/O, ROI, market shares, competition, asset turn over, etc
- Choose Cos – by sales turnover & asset level- determines acqn. Cost
- Cost of acquisition & returns: Compare candidates
- Ranking: Concept of Fit
- Identifying good ones:
 - High market share
 - Growing market
 - Good management system
 - Diversified portfolio
 - ROI above bench mark level

Assembling suitability of a proposal

- Funds availability
- Likely positive synergies
- Negative synergies & Weaknesses
- Is timing appropriate
- Is required management style available

Valuation for mergers and acquisitions:

 Market price per share
P/E Ratio: $\frac{\text{Market price per share}}{\text{Net earnings after tax per share}}$



Now, the next question that comes is how do you screen a candidate for merger? The screening of the candidate for merger goes through a process, what is the type of process which you go through that is what is the screening process that you go through? You identify the industry that is the medium scale investment or large scale investment and then you select the sectors, which sector you want to go in? You want to go in energy; you want to go in transport, what is or in the services.

Now, based on the sectors that you have taken, get the data with respect to sales turn over, return on investment, market shares, and competition asset turnover, etcetera. In other words, you get the financial performance of the company with respect to well-known financial yardsticks; that is undisputed financial yardsticks. Nobody can dispute those financial yardsticks which you have chosen.

Now, using this yardsticks choose the companies. How do you choose the company? You choose the company by making again 2 undisputed yardsticks: one is the sales turn over and the asset level. Why do you want do this? By looking at the sales turn over and the asset level, you are able to determine what will be cost of acquisition. Suppose, you want acquire a company x, what will be the cost of acquisition of this company. Then, when you get the cost of acquisition what it can tell you? It can help you or it can guide you to compare candidates.

Suppose, there are many candidates for merger or acquisition, you can compare this different candidates, then after comparing this different candidates you can rank them that is who could be number who could be getting the slot 1, who could be getting the slot 2 etcetera. For ranking these candidates you follow what is called the concept of fit. That is how does the whole acquiring company fit with the parent company.

In this concept of fit, what are you trying to do? You are identifying the good once; this identification of the good once can be with respect to high market share, growing market, then the good management system, then the diversified portfolio, then the R O I being above the benchmark level.

Now, how do you assess the suitability of a proposal? You assess the suitability of a proposal depending on the funds availability, then the likely positive synergies, then look at the negative synergies and weakness then, is the timing appropriate and is the required management style available. Suppose that is a different management style yours is a different management style then both of you can get into problems by merging, so all these has to be taken into account.

Now, how do you value the shares for this mergers and acquisitions? What should be the P/E ratio? The valuation for mergers and acquisitions can be through the P/E ratio that is the price earnings ratio, where you look at the market price per share divided by the net earnings after tax per share. You take the market price per share, divide it by the net earnings after tax per share, it gives you the P/E ratio.

(Refer Slide Time: 23:16)

-P/E Ratio & EPS (Market price of Share / P/E ratio) SH. Be compared with balance sheet & P&L A/C

Acquirer should

- Divest loss making opus
- Use ratio analysis (to compare with ind. Avg)
- current ratio (reduce C.L.)
- Stock Level (reduced stock level) = $\frac{\text{Stocks}}{\text{Cost of Goods sold}} \times 12 \text{ months}$
- Avg. Age of debtors (in days) (Reduce avg age of Debtors) = $\frac{\text{Debtors}}{\text{Sales}} \times 365$
- Revise B/S & P&L A/c
- Incorporate growth & expectation rates
- Calculate replacement value of assets = $\left(1 - \frac{\text{age of assets}}{\text{Tot. Eco. Life of asset}} \right) \times \text{current cost of asset}$

Changing after merger:

- NRI status is helping in mergers (to get out of FERA)
- Likely to become more dominant in future



Now, after getting the P/E ratio, you try to get the EPS also that is the earnings per share, how do get the earnings per share? The market price of the share divided by the P/E ratio and then it will give you the earnings per the share, then what will you do with this? You should compare this with the balance sheet and the profit and loss account of the different candidates. In other words, what does it mean? Your earnings per share and also your P/E ratio hold a key in the acquiring cost of acquisition, needless to say that you should always look at the profit and loss account and also the balance sheet. You have the balance sheet, you have the profit loss account, but you make you calculate the P/E ratio and the EPS to find out what will be the cost of acquisition that you can decide on for the company.

An acquirer what should he know? He should really be looking at divesting the loss making operations of this acquired company and he should also use a ratio analysis to compare with industrial average. Then, make use of this current ratio; that is why you want to make use of this current ratio? To reduce the current liabilities and then look at the stock level, why do want to look at the stock level? Whether the possibility of reducing stock levels is possible, so how do you do this? Stock over cost of goods sold in to 12 months gives you the method of calculation.

Then what is the average age of debtors? In days the idea is to reduce the average age of debtor; it is debtors over sales in to 365, then using this you revise the balance sheet and

the profit and loss account of the firm that you want to acquire. So, there is a lot of job for the finance man when you are looking at acquisition or merger. Then, you have this risk analysis team coming in to play also; they put the growth and expectation rates and when they put all that they get this replacement value of the assets, which is given by 1 minus the age of assets divided by the total economic life of the assets into the current cost of the asset.

This gives them what is a type of expectation that is the return down asset value, how it can be calculated, why it is required? It is required to evaluate the worth of the assets; the worth of the assets can be found out using this formula.

Now, there is also the next question, you merged taking all these financial indicators and having all this synergistic aspects taking them into consideration. Then, one very important aspect which comes into play is, after the companies have merged, there should not be bickering's between these company a and b; my company was better, this company was what do you call loss making company.

Why did you come? Why into our fold or why did this company? Where was the reason for this company to be we acquired by us. So, these types of bickering are also quiet common in these mergers scenarios. How do you manage these types of difficult situations? That also is a very important aspect which you have to consider.

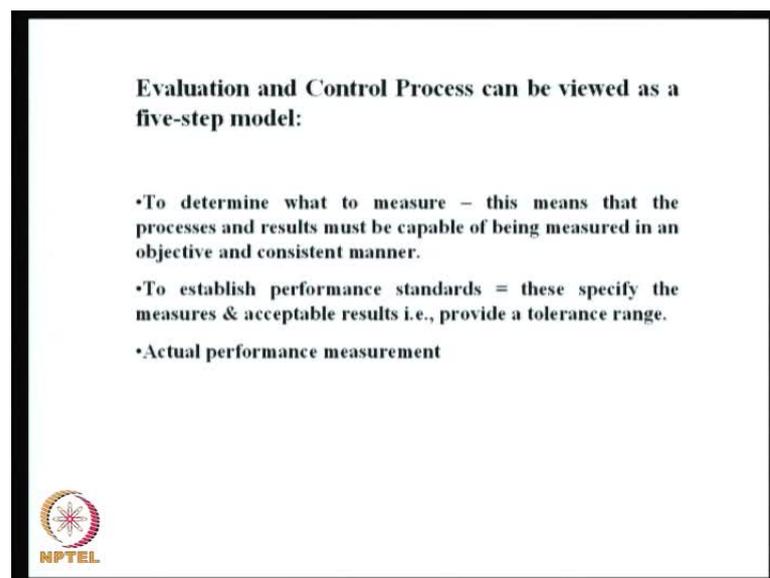
Now, if you really see look at Indian companies take the example of Tata's. They are going into what do you call acquiring companies abroad the land rover, the Jaguar in U K acquired by Tata's, similarly steel companies acquired by Tata's not to talk off these ((far seller mettle)). What is what is going to happen in that type of a scenario, how do you manage that firm which is being acquired? You are giving a brand of the Tata's to this land rover and Jaguar.

If you really see the present scenario the land rover and the Jaguar has contributed to the profits of Tata motors. Those models in their foreign locations have contributed to the operating profits of Tata motors which have jumped up, not to mention the domestic market players where Indica has contributed substantially to increasing of the market share.

This Indian seen now, if you really look at it you are looking at a scenario, where many Indian companies are willing to acquire foreign companies, they are prepared to shell down that money - which is going to be - which will be the cost of acquisition calculated on the types of indicators which I gave you and many times much more may be required to be shell down and shell down in cash.

Many financial institutions including the RBI comes in to play to help these takeovers or acquisitions things like that. So, what is the type of thing which you are seeing? You are seeing in the Indian scenario this acquisitions and takeovers likely to become dominant in future. **I have already become;** It is likely to become more dominant in future, many times you are the NRI's status is helping in the mergers to get out of this FERA all this is happening in the Indian scenario.

(Refer Slide Time: 30:37)



So, this is this how you look at all the scenes in with respect to merger.

Now, I go back a little to my book and this book gives you a few aspects, not only after the merger and after these acquisitions it also gives some idea of, what is meant by reengineering? What is this reengineering, why do you want to do reengineering? Reengineering refers to the radical design of a business process to achieve quantum gains in cost service or timings.

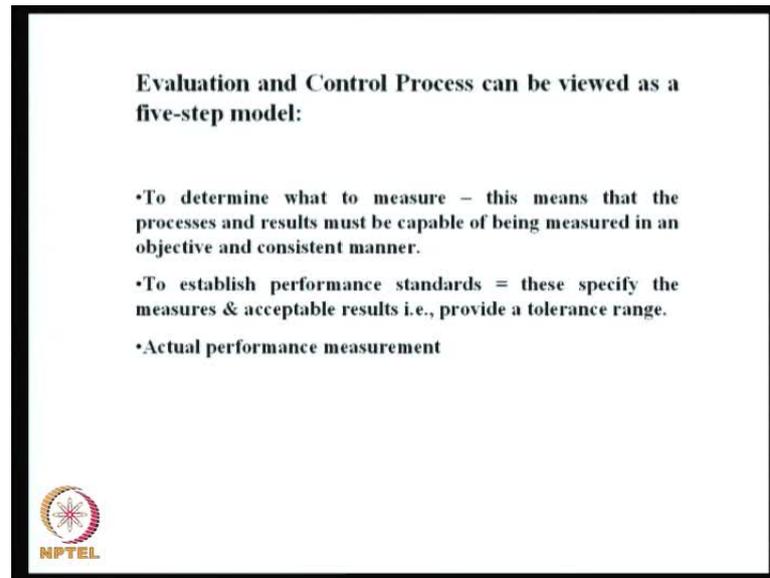
When you are looking at different functional areas, you start looking at reengineering so that you can get some quantum leaps. This whole process of business process reengineering is getting ((recurs end)) or coming up in the market in the name of business process innovation. In the next few years, you may see the business process innovation becoming quite pronounced. You may look at business process innovation and this and it may be quite prominently used in the Indian scenario.

This is the type of thing which you are likely to see in the present Indian scenario and what is likely to happen, there will be some job design and strategy implementation which is likely to take place. So, I just go to one of the exhibits which are which is given in the book that is designing jobs with the job characteristics model. The job characteristics model is an advanced approach to job design based on the belief that tasks can be described in terms of certain objective characteristics and that these characteristics affect employee motivation.

In order for the job to be motivating the worker needs to feel a sense of responsibility, feel the task to be meaning full and receive useful feedback on his or her performance, then the job has to satisfy needs that are important to the worker. So, five principles are followed or suggested for redesigning of this work, one is combining tasks, what does it do? It increases task variety and it enables workers to identify with what they are doing. The second one is form natural work units. So, what does that do? It makes the worker to become more responsible and accountable and then establish a client relationship, so the worker will know what performance is required and why. Then open feedback channels by providing workers with information on how they are performing.

In other words say, sort of an ongoing research this helps the job characteristics model to improve job performance through job enrichment. Although there are several approaches to this job design practicing manager seem increasingly to follow the prescriptions of this model as a way of improving productivity and product quality. So, this is the way you are looking at job characteristics model in the present competitive scenario which you are really looking at, so it might also hold a big key.

(Refer Slide Time: 30:37)



Looking at how this MNC's do this strategy implementation if you look at them. An MNC is having a global perspective has you know, he is highly developed international company and the decision making is also highly professional. So, what does the strategy implementation what does it involve in an MNC? Strategic alliances in the form of licensing agreements and joint ventures between a MNC and a local partner in a host country are fast becoming a means by which the MNC gets an entry into other countries, this is what is called the entry mode in marketing.

So the especially developing countries the key to successful strategy implantation lies in the selection of a local partner

It should be a strategic fit an MNC can make use of a geographical area structure that can provide the advantages of centralized and decentralized implementation

So if you look at one of our own companies that is the Antrix the Antrix is the commercial arm of the Indian space research organization

It is into the business of remote sensing products and services that is IRS products and services so this data products and services

When you are looking at this India is one of the very few countries which has got this capabilities apart from the developed countries like the US Russia then France to name a few

Now if you really look at the capabilities of Isro Isro is highly capable but, not fully taken advantage of in the commercial front that is it has not fully exploited the opportunities that are available to it in the international arena

So what we are suggesting is this method why not you enter the markets in the Latin American and the African countries

So you make use of a strategic entry mode do not have to establish manufacturing facilities in these countries but, you can enter these markets which can be profitable for Isro in the years to come

So and Isro as of now is looking at this proposal very favorably so they want to enter these types of international markets

So using this type of these strategies this is called this is a very this is strategy implementation in practice live

So how it is happening in an Indian company so this is the way it is have this is the way Isro is trying to do

So then all this may require for you some priorities in H R management so how do you really go about this H R management issue

(Refer Slide Time: 30:37)

Evaluation and Control Process can be viewed as a five-step model:

- To determine what to measure – this means that the processes and results must be capable of being measured in an objective and consistent manner.
- To establish performance standards = these specify the measures & acceptable results i.e., provide a tolerance range.
- Actual performance measurement



So a small an exhibit is given here how a company like this AnnIverson implemented a turnaround strategy at Laura Ashley what really happened so if you really go to the book it gives you this case

When sir BernardAshley visited a North Carolina shopping mall to see a prototype of the expanded LauraAshley store he was amazed and delighted as the company's largest shareholder and cofounder Ashley was well aware of how poorly the512 million dollar apparel and home furnishing company had fared

Since his wife Laura died in 85 unlike other Ashley shops this one was packed with costumers I almost cried to so marvels he exclaimed

The credit for this change belongs to AnnIverson since becoming CEO in July95 she had replaced most of the top management cut the payroll slat cost and proposed aggressive expansion plans

I am the kind of person who has a steam roller behind her back explained Iverson the BODFLauraAshley holdings PLC'sselected Iverson because of her ability to implement a turnaround strategy earlier Iverson was had helped improve the profits of British home stores a division of store house PLC

She then moved to the position of CEO of store houses mother care limited and introduced attraction such as talking trees and singing clocks to lived children and their mothers back in to the stores

When mother care became profitable she be she joined Melville corporation in the US to runs it is KB's toy and hobby shops at the same time she agree to serve on LauraAshleyBOD that is a board of directors

Her in depth knowledge of retailing soon let the board to pick her to manage the company

Iverson is a hands on manager she answers her own phone gets into discussions regarding what kind of wood flooring should be used in the stores to save expanses she moved headquarters to converted London bus depot

Acknowledging the dated Victorian look of the company's apparel Iverson hired a new clothes designer BashaCohen to freshen the line but, keep the flowing romantic look

She also expanded the stores to 7200 from 2500 square feet to expand home furnishings

One of her objectives is to increase the home furnishings to 65 percent from its current 50 percent of total sales by the end of the decade

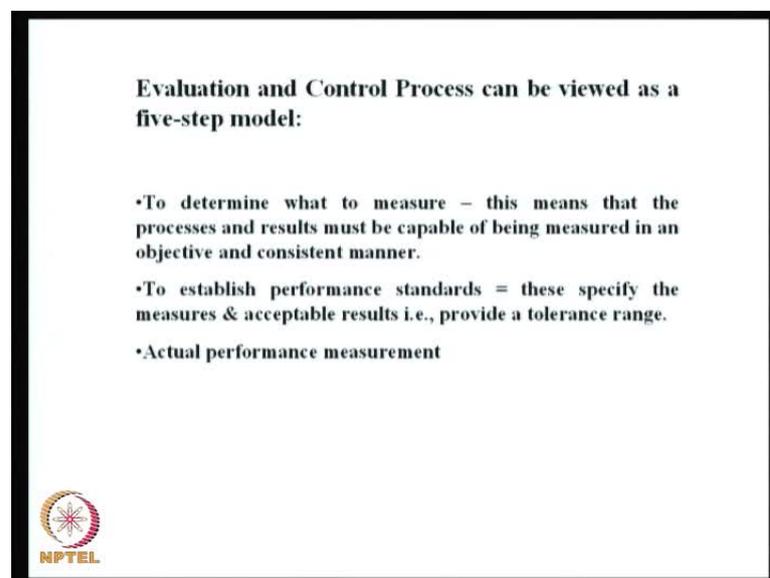
The company's wall papers bed spreads linens and cartons are less dependent on changing fashions than its dresses

Since Iverson's appointment as CEO the company stock has more than doubled to 3.2 dollars per share

If her turn around succeeds Iverson could earn 5.2 million dollars over a 3 year share period so this is the way executives can also help in this whole thing

So this is one more aspect of this merger and acquisition and strategy implementation so this really calls for leading or directing

(Refer Slide Time: 30:37)



So this leading or directing calls for making use of the abilities and skills effectively you can make use of different processes like the MBO that is the management by objectives and also the TQM that is the total quality management

So all this is you may do it keeping in mind the corporate culture so this is in other words you make a strategy culture compatibility analysis that is his the planed strategy compatible with the current company's current culture if it is not what should you do can it be modified to make it more compatible with a new strategy

Then suppose it is not then his management prepared to make organizational changes except delays and cost in cases suppose the company is not prepared to do that then is the management competed to implement strategy if yes carry out the strategy if the top management is not committed to implementing this strategy then formulate a different strategy

In other words a strategy cannot be implemented without the top management support in an organization and you have to make use of communication as an effective tool for managing these cultural changes

So whether it is the process of integration that is a relatively balanced given take of cultural and managerial practices or assimilation that is a domination of an organization are over the others which is not forced but, welcomed by the members of the acquired firm then separation of the 2 cultures then deculturalization that is involves the disintegration of one companies culture resulting from unwanted and extreme pressure

So all this comes into play in effective leading or directing the organization so this is the method of managing the culture of an acquired firm

So when you are looking at this management by objectivesso look at the organizations objectives then set the individual objectives develop the action plans then look at a periodical review of performance to see whether these objectives are being achieved or not

So when you are looking at TQM what are you looking at you look at a better less variable quality of the product or service quicker less variable response in processes to customer needs

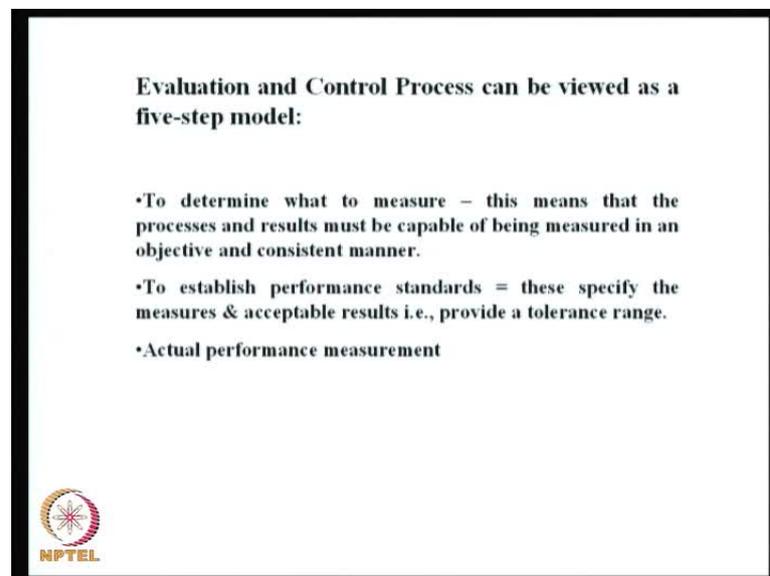
Then greater flexibility in adjusting to changing customer needs and then the lower cost through quality improvement and elimination of non-value adding book

So essentials of TQM are the intense focus on customer's satisfaction internal as well as external customer's accurate measurement of critical variables then the continuous improvement of product stock service then the new work relationship based on trust and team work

So a model a service quality model has been given by these two authors Berry and Parashuraman

Where they have given the 5 dimensions of service quality that is reliability that is ability to provide dependably and accurately what was promised

(Refer Slide Time: 30:37)



Then assurance knowledge and courtesy of employees and their ability to convey trust and confidence then tangibility physical facilities and equipment and professional appearance of personal then empathy that is the degree of caring and individual customer attention.

Then responsiveness that is the willingness to help customers and prompt service

So this concept of TQM according to Deming is based on a 5 step chain model that is improved quality means that cost decreased due to less rework very few mistakes fewer delays and better use of time and materials

Then what will happen due to this productivity improves then what will happen due to better quality market share improves when market share improves the company can increase the price of the product

Then what happens when the price of the product increases the company's profitability goes up and it can have a longer stay in the business then what additional things can happen more jobs can get created

So this is the way you can look at TQM to help an organization and if you look at my book the Deming's 14 points of quality they are listed on pages 157 and 158 of this book which you may like to go through

So if you really see what is happening in the present scenario as I just told you so in the present scenario the companies are tending to become global looking at the acquisition process

In an they are looking at this acquisition process so all these factors which we which we looked at so far can be extremely helpful to them

So then we will look at what is this evaluation and control process with respect to strategy we will take it up in the next class

Thank you