Strategic Management - The Competitive Edge

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Module No. # 01

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Corporate Policy and Planning in India

So, we looked at the seven s framework. The different 's'es how they can impact the organization and how they can also help in assessing whether time is ripe for implementing change or implementing strategy in an organization. That is execution of strategy in an organization.

Now, what we have looked that is in the first few classes we looked at what is meant by strategy. We looked at what is the difference between a strategic plan and a long range plan.

Then we looked at how did a corporate plan give way to strategic plan. We also looked at how you can draw in an organization, a corporate plan or the plan to plan. What could be the conceptual model? Then we looked at this seven s frame.

Now, having all these at the back of our mind, let us look at what are the types of changes that we are seeing in the world today.

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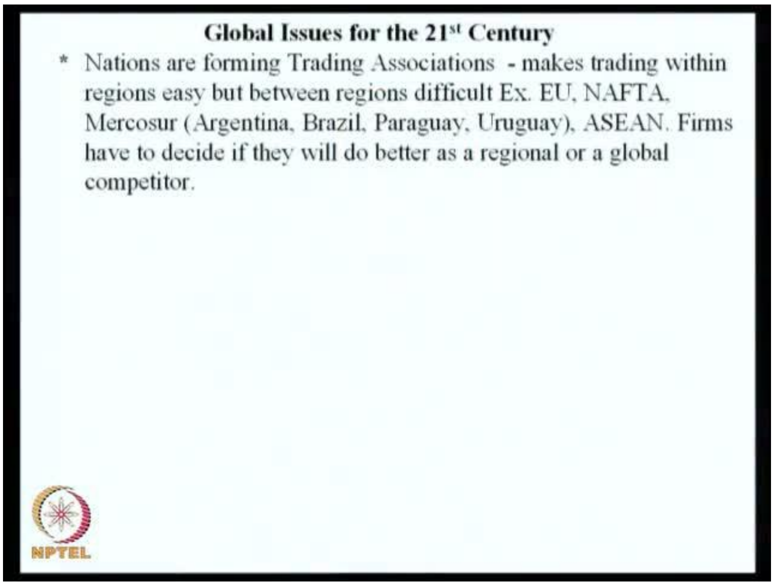

In other words, what is the type of changes with respect to trade that world is visualizing. If you really see the different nations are really forming trading associations. That is the nations in the world are forming trading associations.

The question is why are they forming trading associations? This brings you to the realm of international business. This forming association makes trading within regions easy, but between regions difficult.

In other words, they form a block and to themselves. So, this block to themselves moving within the block is very easy for the member nations, but from one block to the other it is difficult.

What is the type of associations that are coming in? The type of associations that you are seeing is EU. EU stands for European Union. So many changes are taking place on a continual basis with respect to European Union. So many new countries are joining, the latest entrant being Portugal. Whether to enter the European Union or not? Many times some of the other countries are also taking a decision to join the EU.

The next one is a very important association. Trading Association is the NAFTA that is the North American free trading association, where you have the US as the dominant player.

Then you have the Mercosur that is Argentina, Brazil, Paraguay and Uruguay. Then the Asian countries basically, from the Asian continent then, this is the way the world is moving towards.

Now in this changing world scenario, each country has to decide what and each firm has to decide what the question that comes in. Let us say you are a firm operating from India.

Now, if you really see one of the main contributions that India has made is in the software revolution that has taken place. It is considered as a lead player in this software revolution or the IT revolution. It has provided a host of IT enabled services to many players or many firms in the world.

Now, in this type of trading associations what is the role the firm should envisage? So, this firm has to decide whether it will be better for it to be a regional player or a global competitor.

So it should itself take a decision whether I want to be a regional firm or a global firm. Regional firm operating within the region. A global firm saying that no I do not have any borders I operate throughout the globe. So many of our companies like Infosys or Wipro they operate throughout the globe.

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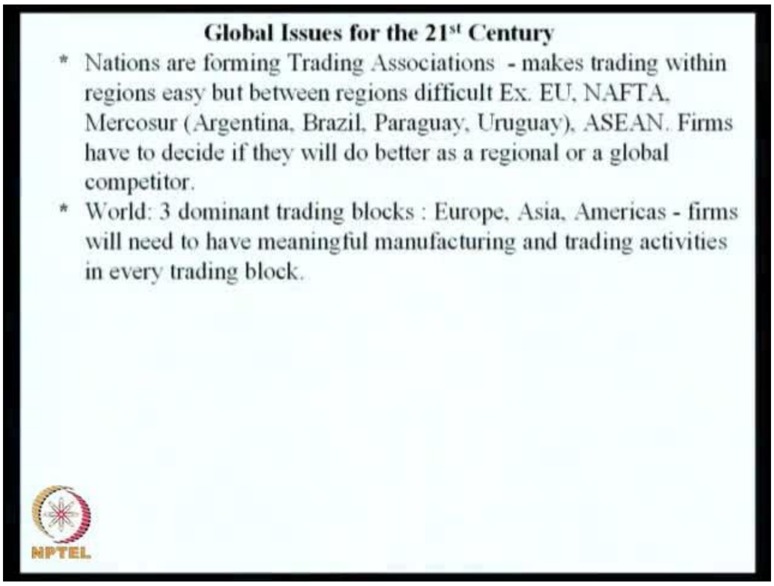

Then how is the world going to be? This is one of the questions, which many people or many economies have tried to address. The feeling is that the world is likely to have 3 dominant trading blocks: one is Europe, second is Asia and the third is Americas.

So, the firms will need to have a meaningful manufacturing and trading activities in every trading block. In other words, a firm in order to be a global firm it has to have a presence in all these three trading blocks.

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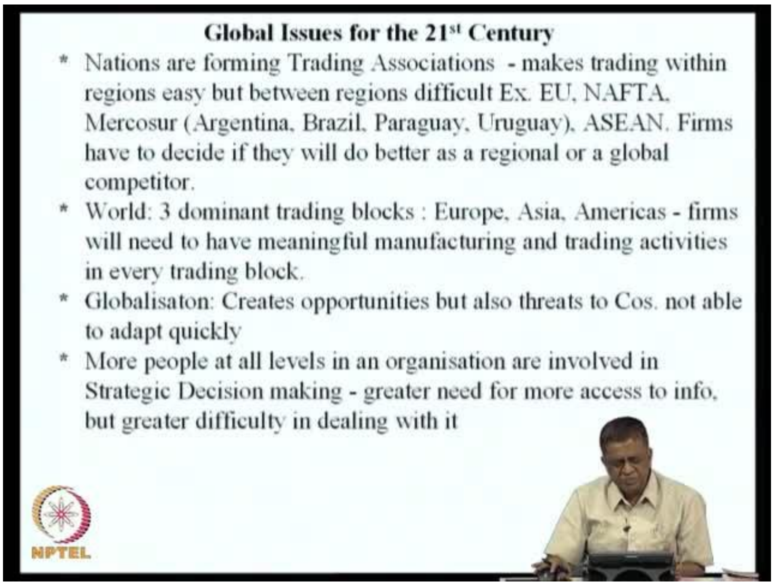

Now globalization has come in a country like India. What has it done? It has created opportunities, but it has also created threads to companies not able to adopt quickly. So, we have seen in many companies in India going into oblivion.

Many public sector units also closing their doors; closing their shop, why has it happened? These organizations were found one thing in adaptation to the changed conditions.

One of the organization examples, which I can give here, which really failed to adapt to this change is a subsidiary of one of the major public sector units - that is the Hindustan machine tools HMT. This subsidiary or of this HMT was 1 unit by name Praga tools operating in Hyderabad not able to really adapt to this changed scenario had to close shop. Similarly, you had Alvin operating from Hyderabad not able to adapt to the changed scenario had to close shop.

So, all these types of changes which is globalization has brought about has in fact brought in new dominant players. But many of the earlier dominant players they have been obliterated or have been strunk.

If you really see, HMT itself is strunk; once a very dominant public sector unit, a very important public sector unit strunk.

Similarly, the Indian telephone industries the first public sector unit to be started after the country became independent very existence is being threatened. This is what all these globalization or the changes have made.

Competition has forced many companies which are not able to adapt quickly to these changes. To really close shop they have not been able to come up or deliver to this change in these changed situations.

One important aspect that you are seeing is the dominant role of strategy. Earlier organizations were not giving so much importance to strategy. But what is presently happening is organizations are forced to give importance to strategy. They are forced to involve people at all levels in strategic decision making.

What does this imply? It implies that you should give access to information for more number of people in the organization.

The question is: Is it a desirable thing to give access to information for more number of people in the organization? Well on the phase of it 1 might ask what is wrong if we give access to information for more number of people in the organization. But you also have to answer questions such as whether that information is needed for the person concerned, in what way it will help him to discharge his duties better if it could be done without.

These are all the questions, which an organization has to address itself before parting with too much of information at all levels. In other words, there is a need for better information sharing.

All information need not be shared at all levels in an organization. But at the same instance you should not withhold essential information from people working at different levels in an organization. So, you should be able to give them the essential information.

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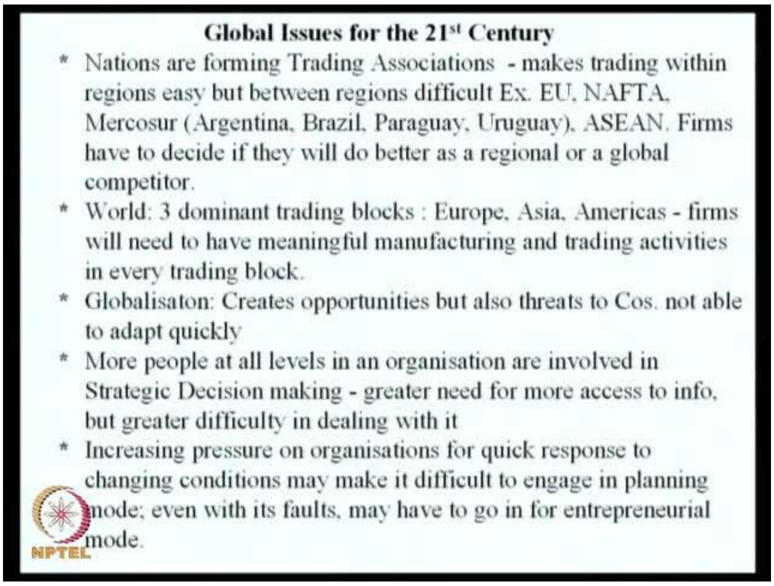

So, that is what is brought out in this particular point which I am mentioning here. More people at all levels in an organization are involved in strategic decision making. There is greater need for more access to info - that is information, but greater difficulty in dealing with it.

Now the government has introduced what is called the right to information act - that is the RTI. Now, under the provisions of this RTI, organizations have to really come out or provide information to whoever is the person applying on whatever is the aspect he is asking for.

So many times some unpleasant queries are asked. And those questions are asked information is asked under the RTI act, the person who is responsible for providing information under the RTI act, has to provide this information from the organization concern.

So in fact, I was reading in the morning newspaper today, that a registrar of a university operating in the state of Karnataka has been fined rupees 25000 rupees for not providing information under the RTI act.

So, he has being fined rupees 25000. In other words, this RTI act is coming in very strongly in our country where in we have the organizations have to provide information even to the outside world.

Now, with respect to organizations themselves as I said, since more number of people are involved in strategic decision making. There is a greater need for more access to information, but greater difficulty in dealing with it.

Increasing pressure on organizations for quick response to changing conditions may make it difficult to engage in planning mode; even with its faults, may have to going for entrepreneur mode. So, this is one of the other crucial change parameters.

That has come about in the Indian situation. You have this globalized climate which has come about or the LPG era. What is this LPG era? The LPG era stands for the Liberalization, Privatization then the Globalization - that is the LPG era. So, you had the liberalization, then followed it to with the privatization, then followed it with the globalization.

So, you had many activities or businesses which were under this straight purview of the public sector liberalized or allowed to be done by the private sector. So, the private sector was allowed access to these business activities, which till then was the privy of the public sector resulted in competition. This competition resulted in the threatening of the very existence of some of the public sector units and the threat became more and more real. When the threat became more and more real many of the public sector units had to close shop.

Now some of the private sector units or the private sector companies which entered into activities, which where a taboo for them till then they started their ascent or they started becoming globalized players.

Some of the companies in the software or the IT enabled services in the country made their mark and became globalized play and became global players. So, these are the types of changes, which came with in the LPG era.

So basically, started from in 1991 it was what you call a start, which was really forced on the country. It was not something which the country opted for on its own volition.

So a first or a forced scenario, where in the foreign exchange reserves of the country started wend ling and the country, was really grappling with this foreign exchange problem.

And when it was grappling with this foreign exchange problem, many of the policy changes, which have now or which the present generation thinks is something which is acceptable.

May be in inverted commas these we are start they started getting introduced. So, you have this liberalized scenario and giving raise to privatization; this privatization giving raise to globalization and all these LPG era.

Now one of the important things in the LPG era, which I have been stressing on is the risk taking ability of the organization.

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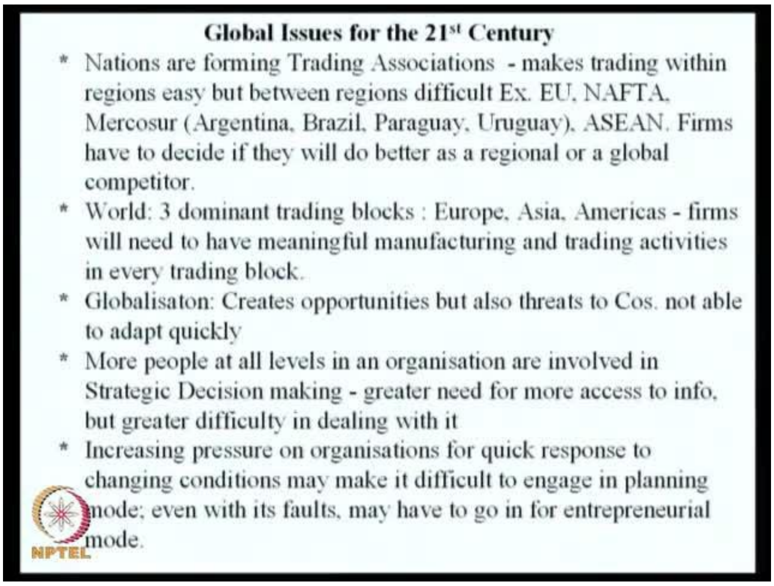

The organization should be prepared to take risks. One second it should be prepared to take proactive strategies not keep on waiting for things to happen in the market place. The organizations have to say yes, I will be the prime mover for change in this particular line of activity. Let me be the prime mover; let me not wait for the other players to be the prime movers. In other words, the organization should be prepared to take the lead.

So, the lead for change it should be felt by the organization. In other words, thus the organization is should feel the pressure to act quickly. So, this is where I said the structure in the organization.

The structure in the organization should be such that it should respond to these changes fast. The organization leadership should respond to these changes fast quickly, not keep on brooding about what should be the response, by that time this brooding is over. You may find a new situation or a new changed situation has cropped up. And the organization might find itself in a different decision making environment all together.

So, it become it may become more and more complicated. This is what has happened to organizations.

So, you are seeing organizations put under increasing pressure in the LPG era on your tours virtually if I really look at the city of Bangalore.

In the 60s and the 70s people used to see the city of Bangalore as a pensioners paradise, that is you take pension from your existing job and spend the rest of your life in Bangalore. You have a peaceful life; a very good calm city and a good climate throughout the year; large number of gardens; in short, a good life to live, after you retire.

But what is the changed scenario? The changed scenario is something unthinkable. You have a city of Bangalore, which is active throughout the 24 hours of the day. So, there is nothing like an hour of the day where, the city is sleeping. It is almost a 24 hours city that is what the IT industry has done to Bangalore.

It has made it really a 24 hours city so, many companies operating round the clock and almost so many thousands of employees may be even in lakhs going to these companies almost round the clock.

So, you have the country, you have the city buzzing throughout the 24 hours. The results the number of gardens have strunk; there is an increasing pressure on infrastructure; there is a tremendous pressure on housing; there is a tremendous pressure on transportation, quick transportation and there is a tremendous pressure on uninterrupted energy. All this has become really crucial, but a city like a Bangalore finds itself not able to put up to this challenge.

So, this is what the changed situation can do even for cities. Even a city like Bangalore many times has gone in not for a reactive strategy, but for a proactive strategy. So, if you really look at it back in 1978 itself it was suggested by many organizations to the planners in Bangalore to have outer ring roads.

That does not allow the heavy vehicle traffic to come to the central business district or the center of the city. But somehow in a typical way it was gathering dust till the pressures of liberalization forced the city the planners to look at these aspects with more urgency.

Result is you have outer ring roads alright, but the traffic has increased by such enormous bounds. You find that there are more than thirty seven lakh vehicles on the roads of Bangalore, which is huge and the increase has really has some of the planners put it mindboggling how the number of vehicles have increased over the years.

So, in such a type of scenario, it is important even for a city to go in for an entrepreneurial decision making mode - that is take some risks, there may be faults with your decisions, still go in for may have to go in for an entrepreneurial mode.

So, these are the types of issues that you will be forced or you are forced to go in in this changed scenario. Now with all these at the back of our mind let us try to answer a few questions. I will give for you some questions, which you may like to answer. These are assignment questions for you.

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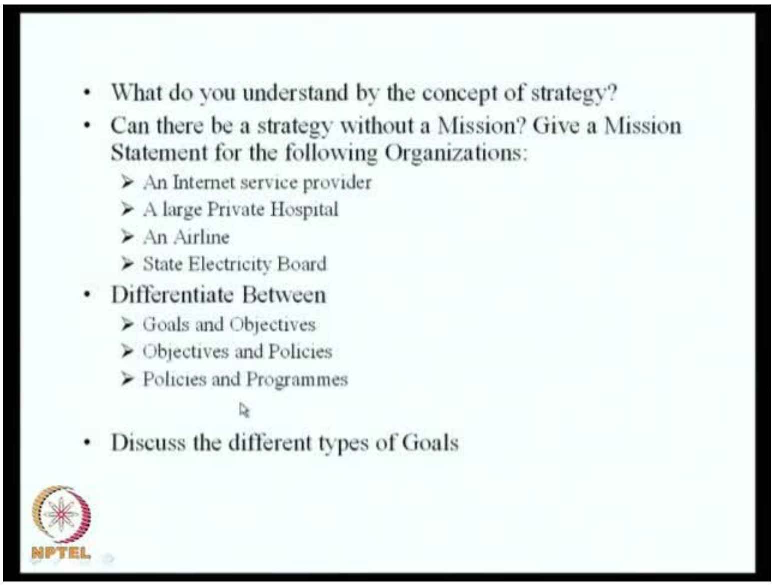

Kindly explore this kindly try to answer these assignment questions. I will read these questions for you.

The first question that I have asked is what you understand by the concept of strategy.

You have to give me an answer, which I have really given you over all these sessions that is how did this concept of strategy emanate. What was it when it emanated? How did it become this strategy? All those types of things then can there be a strategy without a mission.

I am asking you a question. Can an organization have strategy without a mission - that is without an objective can it really have a strategy? Mission or the purpose of the organization is it required at all to have a strategy in other words.

I have asked you to give a mission statement that is, your own mission statement for the following organizations - that is an internet service provider.

Assume that there is an internet service provider. What should be his mission statement? A large private hospital now you find that health care is assuming lot of importance again one of the developments in this LPG era. So, you have large specialized hospitals coming up in the private sector claiming to provide sophisticated health care. What should be the mission statement for a large private hospital?

Then an airline earlier this airline industry was under monopoly.

So, you had only the Indian airlines and air India operating. Now, after the Indian skies were open to competition, what are you here is seeing? You are seeing number of private players operating not only domestic routes, but also international routes. So, what should be the mission statement for such an organization?

Then the last one, which I have asked is what should be the mission statement for a stage electricity board.

This is becoming more crucial. In the present day context, when the consumer is demanding, not only uninterrupted power supply, but he is also demanding, no voltage or frequency fluctuations.

So this is something, which the present day consumer is demanding from the electricity provider. This is providing me electricity, which is uninterrupted; which is having no voltage fluctuation or which is having less frequency disruptions.

So, in the 80s, when i went abroad they were exhibiting a TV in one of these European countries.

One of the questions I had was where is the stabilizer? I asked the person concern was putting on the TV asked him where is the voltage stabilizer. What stabilizer? So, I said voltage stabilizer.

Then he said, we do not require the voltage stabilizer. Then, it was my turn to get really flabbergast you do not require the voltage stabilizer. Yes, there would be no fluctuation in voltage here. Oh there is no fluctuation in voltage. Then from the same country that is - England or the United Kingdom I brought it was not really that TV era had not really come into India.

In that large sense, in which it had percolated in the west; there it had percolated. You could really see for a few private channels on this TV's even during this time that is the mid-eighties.

So, when I brought from there a radio, which had some inbuilt features which we are not easily available at that time here like the alarm, the snoozing, then sometime some what you call a radio which also used to work as a watch type of thing provide you with this alarm and all.

So, the first thing I did was to show this radio, which have this LED type of display in the house and many all most all the inmates where highly impressed with this. So, the first thing I did was to put on this instrument all these, what you call very compact radio to the plug.

The next thing which we noted was the radio was not working; neither the radio was working nor the watch was working. Then I was surprised because, when this radio was taken in the United Kingdom had asked. What is the type of fluctuations in voltage it can withstand? He said it can easily withstand up to 260 volts not a problem.

So, you had a power supply which is a 3 phase 1 and we thought that you will not go beyond this 260 volts.

So, when I took this radio back for repair to one of the shops in the city he said, this radio cannot be repaired. I said why? Because it is gone. What is gone? The radio itself is damaged beyond repair due to the surge, the voltage surge that has come. So, the voltage surge that has come is beyond the 260 volts.

This is what we had in the mid-eighties. So, electricity supply not able to come without fluctuations in voltage or without fluctuations in frequency all these things.

So, now also if you really see we are very much afraid to operate many of our consumer durables, beat a fridge; beat a TV or beat even a micro oven many times without a stabilizer. So, we think that this is surge voltage surges may damage this instruments beyond repair.

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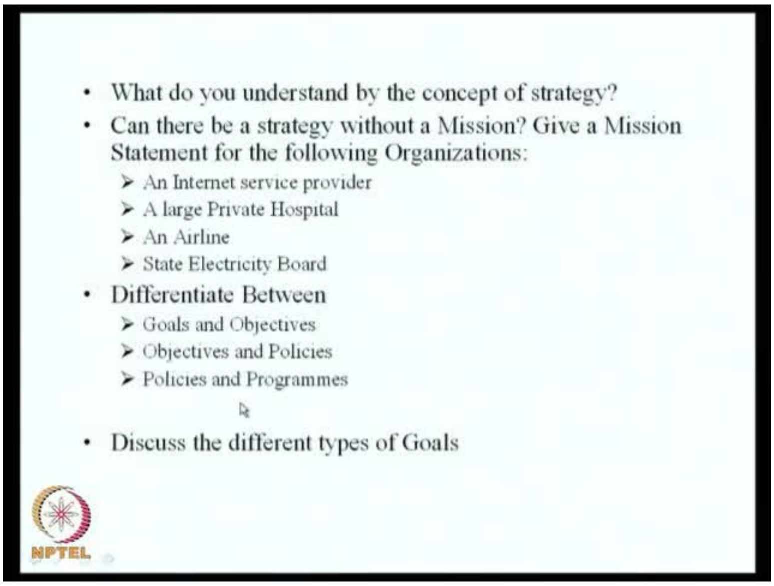

So, this is a next question which I have asked you what should be the machine statement for a state electricity board.

Then I have asked you to differentiate between goals and objectives, which I have explained in quite a good deal.

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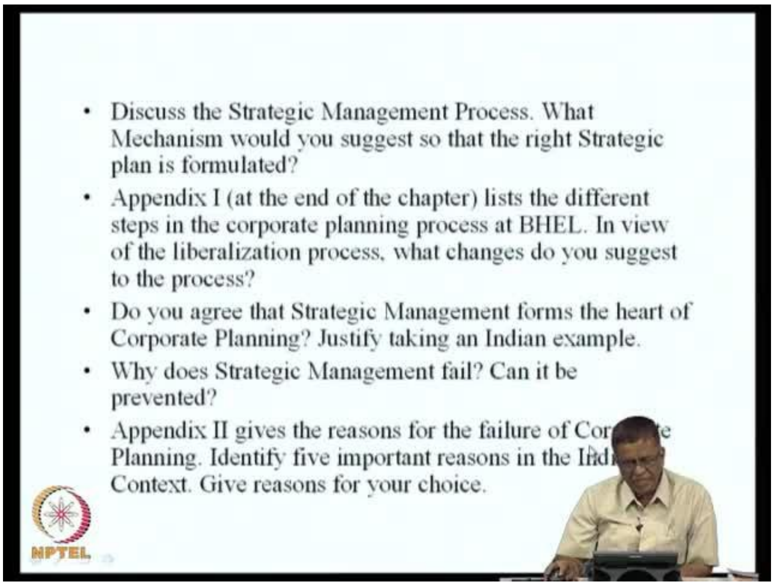

Then I have asked you to differentiate between objectives and policies, then policies and programs you see there is a pattern. In this question, you go from goals and objectives; then from objectives and from objectives to policies; then from policies to programs. Then I have asked you to discuss the different types of goals you can have.

Then the next question that I have asked you to discuss the strategic management process. This is what I have dealt in fairly exhaustive detail over these last so many classes.

So, you can look at the strategic management process from both aspects with the block diagrams and the step and ladder approach, how do you really go about this strategic management process in an organization.

Then, what mechanism would you suggest. So, that the right strategic firm plan is formulated. So, you can take an example of an organization; you take an example of a situation and then discuss what should be the strategic plan.

Then the next question refers to you should have. I expect you to refer to my book on strategic management the third edition by Prentice Hall. Go to appendix 1.

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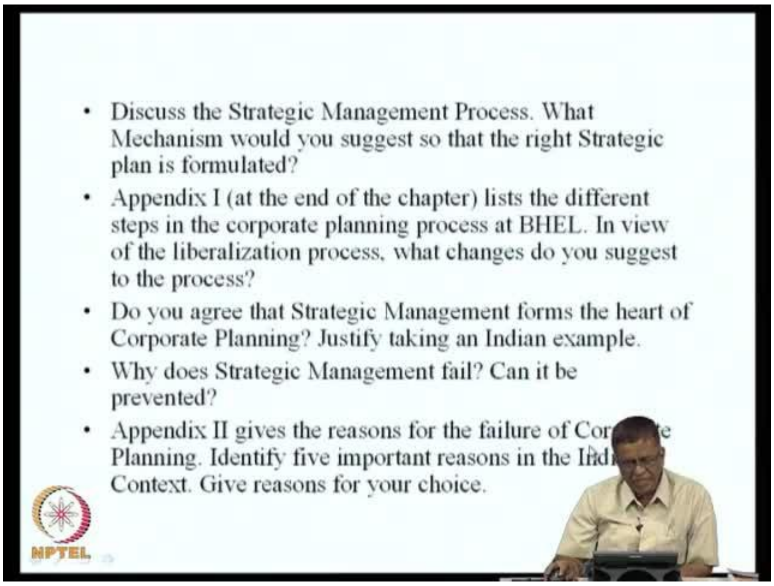

This appendix 1 here is on page number 23. Appendix 1 at the end of the chapter lists the different steps in the corporate planning process at BHEL. Why BHEL? As I mentioned to you BHEL is the first public sector unit in India to implement corporate planning.

So, started implementing the corporate planning back in 1974. Now I am asking you the question. Appendix 1: List the different steps in the corporate planning process at BHEL in view of the liberalization process.

This is what we have been discussing. What changes you suggest to this process? That is what changes you would suggest are. What has been done is be I have stopped there in 90s. What I am asking you is from 90s onwards, what is the type of change that you want BHEL to go through in its processes.

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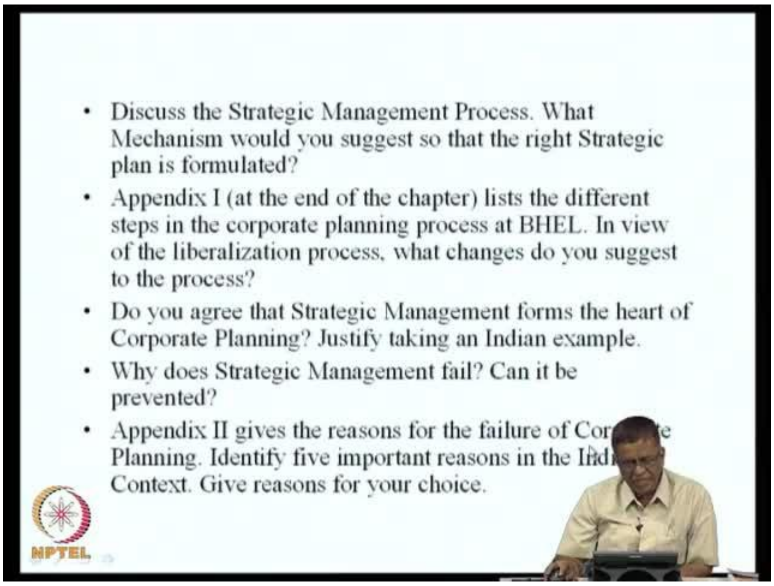

The next question that I have asked you is do you agree that strategic management forms the heart of corporate planning justify taking an Indian example.

So, I have given you over the last so many classes, how corporate planning made way or has given way to strategic management.

What are the reasons for strategic management taking over from corporate plan all that I have given you? Now I am asking you, whether you agree that strategic management forms the heart of corporate planning.

So, I have also given you in my classes the conceptual model of corporate planning taking all that into account you should answer this question. And I have said justify taking an Indian example. You can take an Indian example, it can be an IT industry or it can be IT enabled Services Company or whichever you want or a manufacturing company whatever you want.

The next question that I have asked you is why does strategic management fail?

We looked at strategic management. So, many things happened. So, many changes have happened. Corporate planning has given way or has strategic management has made inroads into working of organizations all these.

Now, the question that I am asking you is something more fundamental can this strategic management fail?

Now, this is what we have discussed in the classes. If your strategy fails what is the impact that is felt by the organization. The impact that is felt by the organization can be quite heavy you have invested resources.

As I have mentioned over the last so many classes. Strategic decisions are not something which you take on a day to day basis. They are infrequent. When they are infrequent the cost of decisions comes into play.

It can be quite crucial. Now, can an organization allow this strategic management or this strategic management decisions to fail. Why does it fail? That is the question that is being asked.

The next question that is being asked is, can it be prevented?

That is what you should do to prevent such types of failures so, think about this question.

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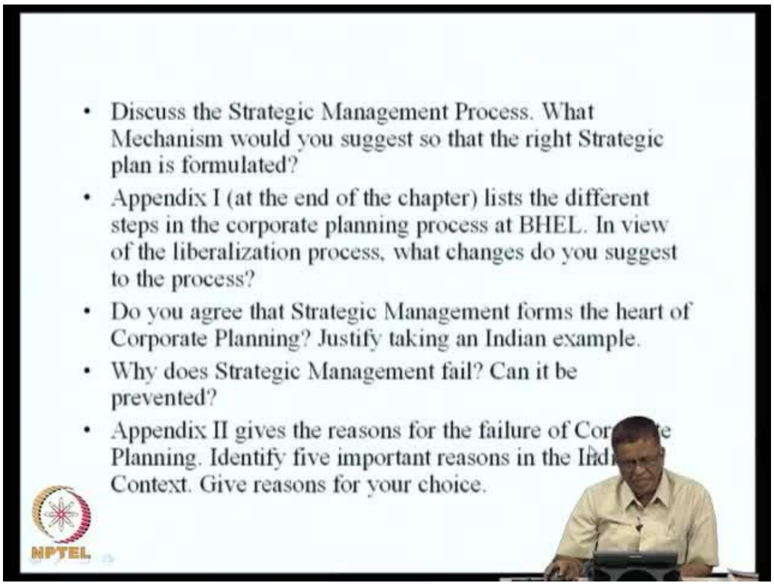

Then next question that is the last question, which I am asking you is appendix 2 gives the reasons for the failure of corporate plan. Appendix 2 is given to you on page number 25 of the book gives you the reasons both 25 and 26.

The numbers of reasons listed are 27. 27 reasons are listed. Why corporate planning might fail. What I am asking you is identify 5 important reasons in the Indian context. I am saying out of this 27 pickup 5 important reasons according to you.

Which is the most important reason in the Indian context for the failure of corporate planning?

Then I am asking you one more question that is, why did you pick them up. What is the reason for picking up these 5 choices or what really compelled you to pick these 5 choices. In other words, do not pick up the 5 choices without a proper reasoning framework. This is what I am trying to implore in the whole question I am saying that.

You pick up the 5 choices, but when you have picked up this 5 choices your decision should be justified that is you should give reason for the 5 choices.

So, some of the choices which you are seeing which I have given here I may read 1 or 2 of them. I will just read 1 - that is failure to develop throughout the company and understanding of what strategic planning really is; how it is done in the company and the degree of commitment of the top management to doing it well.

Can this be a reason for failure that is, will you consider this to be one of the very important reasons in the Indian context for failure.

Then this can be 1. I am giving you 1. I am going to the last 1 that is 27 company tries to move into an advanced management area before it is ready.

Let us say, you come there is what do you call there is no accounting function company moves into an accounting function area where it is not into this actually.

So, these are some of the types of the reason here you are going to areas which are what do you call not charted activities for you earlier is it the reason for failure of the planning process.

So, these are the questions which I am asking you. So, try to answer them and this will keep you in good stead for the next modules of this course. Thank you.