

Advanced Strategic Management

By: Divya Chawla

This reference book can be useful for
BBA, MBA, B.Com, BMS, M.Com, BCA, MCA
and many more courses for Various Universities



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CONTENTS

S.No.	Page
1. Corporate Management: An Overview	1
2. Introduction to Corporate Strategy	11
3. Corporate Policy	20
● Case Study-I	28
4. Historical Perspective	30
5. Top Management and Corporate Governance	34
6. Code and Laws for Corporate Governance	39
● Case Study-II	43
7. Strategies for Dynamics and Stable Markets	48
8. Strategics for Global Markets	53
9. Market Structures and Network Externalities	57
● Case Study-III	62
10. IT and Strategy	80
11. R&D and Strategy	87
12. Knowledge Management.....	91
13. Innovation	97
● Case Study-IV	104
Corporate Social Responsibility	
14. Strategy and Social Responsibility	111
15. Ethics and Values	115
16. Social Audit.....	120
17. Philanthropy as a Strateguc Choice	124
● Case Study-V	127

Sample Preview of The Chapter

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ADVANCED STRATEGIC MANAGEMENT

ISSUES IN CORPORATE MANAGEMENT

1

Corporate Management: An Overview

INTRODUCTION

This chapter provides an overview about Corporate Management. The chapter helps in the understanding about the various spectrums of activities covered under Corporate Management.

The chapter begins with the understanding about the nature and scope of the corporate management. The term corporate management is explained with the help of three dimensions namely:

- Corporate planning,
- Implementation of corporate plans and
- Evaluation and control of corporate plans.

The chapter also describes the concept, nature, process, benefits and the various prerequisites of corporate planning process.

CHAPTER AT A GLANCE

NATURE AND SCOPE OF CORPORATE MANAGEMENT

As mentioned above that this chapter provides an insight about Corporate Management. Corporate Management is a broad phenomenon and is related with various activities of corporate planning, implementation of corporate plans, evaluation and control of corporate plans.

Corporate Management has passed from the various levels, which include: Adhocism, Planned Policy, Environmental-Strategy Interface, Corporate Planning, Corporate Management.

The main features of Corporate Management would include:

- Encompassing entire management process
- Both short and long term
- All pervasive, integrative and relates to all the levels of management
- Concerned with coping with the uncertain future

The five paradigm shifts in the concept of corporate management include:

Adhocism: When the managers were forced by the exigency to take appropriate actions to deal with the situation.

Planned Policy: The planners and the thinkers were forced by the great depression to have a planned policy.

Environment-Strategy Interface: The internal and external environment create uncertainties and the strategy has to cope with the environment keeping in mind the competitive advantage.

Corporate Planning: It is moving from the environmental appraisal to strategic alternatives and choice and requires strategic planning.

Corporate Management: It deals with the aspects of implementation and control in the corporate planning process.

Scope of Corporate Management is spread over different areas, some of which include

- Role of top management in corporate governance.
- Code of conduct inclusive of audit committee, governance committee, etc.

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- Competitive scenario for dynamic and global markets.
- Competitive scenario for domestic and global markets.
- Corporate social responsibility pertaining with ethics, values and social audit.
- Philanthropy as a strategic choice.
- Strategic enablers such as IT, R&D, knowledge management and innovation, etc.

CORPORATE PLANNING

Corporate Planning is a very complex and comprehensive planning process which is based on continued formulation of objectives and the guidance of affairs towards their attainment. This process is carried on by the top management.

The essentials of corporate planning include:

- It deals with future of current decisions.
- It integrates strategic planning with short range operational plans.
- Corporate planning, strategic planning, long range planning, formal planning, corporate planning, etc, have been used as synonymous to each other by few authorities.
- It is regarded as an organisational process resulting in developing strategic intent and action plans to achieve the objectives.

Its process consists of the following steps:

- Formulation of strategic intent;
- Environmental appraisal;
- Generation of strategic alternatives;
- Evaluation of alternatives;
- Decisions in terms of strategy, policies and programmes.

The objective of corporate planning is the identification of new areas of investment and marketing.

The purpose of corporate planning process is the formulation of organisation's purpose, mission, objectives, goals, policies, programme strategies and major action plans for the achievement of the objectives.

Even though the corporate planning process has been attributed with various advantages and disadvantages however there have been certain instances of successful introduction of corporate planning in Indian companies which have been observed by Bhattacharya and Chakravarti, which include:

- Total commitment and involvement in the corporate planning process by the chief executive.

- Participation of those executives who would be responsible for the implementation of the process must be ensured.
- Introduction of the corporate planning process must be on continuous basis so as to cope with the changes in the environmental factors.
- The main objective of the corporate planning process must be to provide direction to the organisation which must be understood by the executives.

IMPLEMENTATION OF CORPORATE PLAN

Implementation refers to those objectives which are necessary for achieving the plans already formulated. However, having a good corporate plan is not enough. It can also be said that a bad and inappropriate implementation is also unsuccessful at market place. The issues like project, procedure, structure, resource allocation, behaviour and managerial functions need special attention.

The implementation of corporate strategy requires the analysis of the following aspects:

- Project Implementation.
- Procedural Implementation.
- Resource Allocation.
- Structural Implementation.
- Behavioral Implementation.
- Functional Implementation.

The various methods used in the resource allocation for budget include:

- Strategic Budgeting.
- Zero Base Budgeting.
- PLC Based Budgeting.
- BCG Budgeting.

The Behavioral Implementations deals with the following:

- Leadership
- Corporate Culture
- Corporate politics and use of power
- Personal values and Business ethics
- Social Responsibility.

REVIEW AND EVALUATION OF CORPORATE PLAN

There are the two levels at which the review and evaluation of corporate plan operate:

- Strategic Level
- Operational Level

Operation control consists of budgets, schedules and MBO, where as the strategic control can be premise,

implementation, strategic surveillance, and special alert control. The strategic control is related with the external environment whereas the operation control is related with the internal organisation. The top management exclusively exercises its control in the strategic control.

APPROACHES TO CORPORATE MANAGEMENT

Based on various factors like the environmental conditions, organisational size and complexity, age, top management values and styles the approaches to corporate management also vary. The various approaches include:

Top Down Approach: decisions power with the top management and implementation to be done by the middle and lower level management.

Bottom up Approach: An open door policy followed by the top management who takes into accounts the realities and complexities of operations at the ground level.

Hybrid Approach: A combination of top bottom and bottom up approaches used in decentralised companies.

Team Approach: later communication between the top managers is easier.

STRATEGISTS AND THEIR ROLE IN CORPORATE MANAGEMENT

Board of Directors, Chief Executive Officer, Entrepreneurs, SBU level executives and consultants plan strategies and had an important role in corporate management process.

Need For Corporate Management

Based on the following issues the strategists are forced to look at the following factors:

- Scarcity of Resources
- Fast Technological changes
- Changing Human Values
- Multiplicity of Stake Holders
- Growing Competition
- Liberalisation, Privatisation and Globalisation.

CORPORATE MANAGEMENT IN NON-BUSINESS ORGANISATIONS

In the end, chapter also discusses that the non-business organisations need to adopt a distinct corporate management so as to cope with the changes of the emerging environment. Due to reason that the non business organisations are not interested in attracting larger number of clients however they do have larger number of interested groups and they rarely go through

the rigour of strategic management process. They are based on performance evaluation criteria which are highly qualitative and judgmental.

ACTIVITY - 1

Q. 1. Discuss the nature of corporate management in Indian context.

Ans. The nature of Corporate Management can be explained through the following points:

1. It encompasses the entire management process;
2. It is based on the choice of alternatives, determination of future course of action, mobilisation of resources and deployment of resources for attainment of goals;
3. It can be both short term and long term;
4. It is related with all levels of management;
5. It is inclusive of the following:
 - (a) Corporate Planning;
 - (b) Implementation Issues in Corporate Plan;
 - (c) Evaluation and Control.
6. It deals with coping the uncertain future with active intervention;
7. It is concerned with various types of plans such as: strategic plan, functional plan, operating plan, organisational plan, etc.
8. It is all pervasive and integrative.

Q. 2. Discuss the scope of corporate management.

Ans. Corporate Management is treated to be an extension of corporate planning which is further inclusive of its implementation and control aspects. The various areas over which the scope of corporate management is spread would cover the following:

1. Role of top management in corporate governance;
2. Code of conduct including audit committee, governance committee, etc;
3. Competitive scenario for domestic and global markets;
4. Competitive scenario for dynamic and global markets;
5. Market Structures and net work externalities;
6. Strategic enablers like IT, R&D, innovations and knowledge management, etc;
7. Corporate social responsibility including ethics, values and social audit;
8. Philanthropy being a strategic choice.

ACTIVITY - 2

Q. 1. Discuss the nature and process of Corporate Planning.

Ans. Corporate Planning is a very complex and comprehensive planning process which is based on continued formulation of objectives and the guidance of affairs towards their attainment.

According to **Druker**, "Corporate Planning is a continuous process of making entrepreneurial decisions systematically, and with the best possible knowledge of their futurity, organising systematically the efforts needed to carry out these decisions, and measuring the results against expectations through organised systematic feedback."

According to **Hussey**, "Corporate long range planning is not a technique; it is a complete way of running a business. Corporate Planning is a way of keeping the company's eyes open".

Therefore, the nature of corporate planning can be covered through the following points:

1. Corporate planning deals with the future of current decisions;
2. The process of corporate planning integrate strategic planning with short range operational plans;
3. A few authorities deal with comprehensive corporate planning, strategic planning, long range planning, formal planning, corporate planning etc, with each other.
4. It is treated as an organisational process leading to the development of strategic intent and action plans to achieve the objectives.

The corporate planning process is based on the following steps:

1. Formulation of strategic intent;
2. Environmental appraisal;
3. Generation of strategic alternatives;
4. Evaluation of alternatives;
5. Decisions in terms of strategy, policies and programmes.

Q. 2. Name three to four big companies where corporate planning exercise was initiated in recent years.

Ans.

1. Larsen and Tubro (L&T)
2. Air India

3. TISCO
4. Reliance Industries Ltd.

Q. 3. Briefly mention the reasons for failure of corporate planning.

Ans. The main reasons for the failure of corporate planning can be enlisted as:

1. Failure to keep the corporate planning system simple;
2. Corporate Planning tries to all the planning by itself;
3. The planner was given a low status by the Chief Executive;
4. Failure was also caused due to non-development of awareness about corporate planning process in the organisation;
5. Failure to modify the corporate planning system with the changing conditions in the company;
6. Planner has only a part time interest in planning;
7. Based on the available soft database and manager's need for hard answers;
8. The top management spends insufficient time on the corporate planning process as it gets engrossed in the current problems.

ACTIVITY - 3

Q. 1. What are the methods of resource allocation?

Ans. The resource allocation for budget can either be based on the following methods:

1. Strategic Budgeting;
2. Zero Base Budgeting;
3. PLC Based Budgeting;
4. BCG Budgeting.

Q. 2. Explain Hybrid approach and Team approach in corporate management.

Ans. Hybrid Approach: This approach is used in the decentralised companies as it is inclusive of top down and bottom up approaches as a combination. The communication between the top management and the Strategic Business Units (SBUs) is vertical at different phases of corporate planning and implementation process.

Team Approach: Under this approach there is lateral communication between the top managers which is easier. This also helps the chief executive to prepare corporate plans in collaboration with the senior managers.