

Strategic Management - The Competitive Edge
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Lecture 01

Corporate Planning, Strategic Planning

Welcome to this course on Strategic Management. I intend to cover this course in 7 modules. These are presented to you in these slides. In the first module, we will be discussing on Introduction to strategic management. From there we move on to the concept of corporate strategy then we come to the strategic management process, the 7s framework and end this module with corporate policy and planning in India. How did it come about and the type of changes that have taken place in the present-day context.

The second module discusses on the board of directors their role and functions, the top management role and skills, the board functioning in the Indian context. The third module, looks at environmental scanning. When we look at environmental scanning, we do a synthesis of external factors this is called industry analysis. This we put it in the form of a matrix External Factor Analysis Summary EFAS. Similarly, we do an internal scanning with respect to the organization where we look at value chain analysis, synthesis of internal factors and then again come out with an Internal Factors Analysis Summary IFAS. This comes in the third module.

The 4th module looks at strategy formulation using the IFAS and the EFAS models. We formulate a Strategic Factors Analysis Summary SFAS. Then, we look at business strategy, corporate strategy, functional strategy and strategic choice. The fifth module looks at the implementation of strategy, organization structure, corporate culture, diversification, mergers and acquisitions. The 6th module looks at evaluation and control and Strategic Information Systems. The last module covers other strategic issues: R&D, IT, knowledge management, technology, strategic risk and other issues. This course will be covered in these 7 modules.

The books suggested for this course are the 2 written by me. First is: Strategic management- The Indian context. Prentice Hall has published this book, 6th edition, 2020. I strongly suggest that you purchase this book. Prentice Hall has been kind enough to bring out this book in the Eastern Economy Edition and it is priced very reasonably; can be afforded by almost all of you.

The second book, which I am going to refer is : Case studies in Marketing- the Indian context, again published by Prentice Hall; it is in the 7th edition; it has come out in the year 2018. Both

these books have been quite popular, it is available in all the leading bookstalls in the country. I suggest you purchase these books; it is very economically priced. You will find it useful for this course and also in your professional career.

If you really look at this subject of strategy or strategic management, it is not something new to this country. It is as old as the times of the Mahabharata; so, it is nearly 5000 years old. It was during the Mahabharata War, that this term strategy or strategic formulation was first used by the Acharya of both the Kauravas and the Pandavas, Drona. The context was in the epic war of Mahabharat. One side was the Kauravas the other side was the Pandavas, the Kauravas had 11 Akshauhini and the Pandavas had 7 Akshauhini. An Akshauhini has apart from chariots, horses, elephants, about 1,10,000 foot soldiers.

The Kauravas had 11 Akshauhini meaning that the Kauravas army numerically was nearly 5 lakhs stronger with respect to the foot soldiers. Even with this strength, the Kauravas army was really facing decimation at the hands of the Pandavas and Drona had taken up leading the Kauravas army after the fall of Bheeshma. Even after Drona took over as the Senadhipathi of the Kauravas army, the decimation of the Kauravas army had not stopped. That is when Duryodhana gets concerned-comes to Drona and asks him: Acharya you are the teacher of both the Kauravas and the Pandavas, numerically we have more numbers than the Pandavas; still we are getting decimated in the war.

To which Drona replies: Duryodhana I, Bheeshma and Vidhura advised you not to go into this war. Still you wanted to go ahead with the war, based on the advice given by your trusted friends, Shakuni, Dushasan, Karna and others.

Now, for your satisfaction I will formulate the Kauravas army in a strategic formulation tomorrow which cannot be pierced by any one from the Pandavas side except Arjuna; if Arjuna can be taken away from the main battlefield tomorrow, I will ensure that one of the Atirathas from the Pandavas army is killed.

So, the term strategic formulation was first used by Drona in this context. What is the type of strategic formulation that was done by Drona? It is called the Chakravyuha translated to English it means the hub and spokes model. Apart from Arjuna only one person in the Pandavas army knew how to pierce this vyuha, Abhimanyu, his son. But he did not know how to come out of this vyuha. In the hub and spokes model what really happens is once you pierce the vyuha you get sucked into the center and coming out of that is a great art by itself which Arjuna only knew.

This valiant boy Abhimanyu who knew from his father, how to pierce this vyuha got killed. That was the time when this strategic formulation was used in the Mahabharat war.

In the present-day context, the term strategy was used in 1965 by Ansoff when he was working for Lockheed Aircraft Corporation on a project in the formal context. In the Indian context, it was used for the first time by the public sector industry Bharat Heavy Electricals (BHEL), in 1974. They called it corporate planning, meaning to look at the planning scenario for BHEL for the next 5 years—the type of products they want to manufacture, where do they want to be. In other words, for the first time in the country, the concept of corporate planning was introduced by Bharat Heavy Electricals in the year 1974. In other words, they were looking at a scenario projection 5 years ahead. The next question comes automatically when did this corporate planning become strategic planning?

If you look at the scenario of the country in 1984, the first public sector undertaking started after the country became independent, namely, the Indian telephone industries (ITI) was thrown open to competition. The Government allowed some of the products, manufactured by ITI, to be allowed for manufacture, by the private sector.

So, in came BPL and other companies. Now this was a bold move by the government to bring in private sector to compete with the public sector. This altered the scenario to a large extent. The public sector industries which were looking at at 5 to 10 year scenario in corporate planning started looking at a smaller time horizon at a 3 year scenario.

This 3-year scenario brought in the concept of strategic planning in the country. So, in other words, 1984 onwards, when public sector was thrown open to competition, some of the public sectors starting from the telecom sector, started looking at 3 years and the strategic planning concept came into the country.

In 1991 when liberalization came into being it brought in the IT that is the information technology services and also the electronics industry to this competitive scenario. This drastically altered the competition in the country. The IT industry started looking at scenarios much less than 3 years. So, they said instead of 3-year scenario, would like to look at a one year scenario.

So, strategic planning exercise for the next one year started. If you look at the present, annual reports or the presentations in the AGM of these IT industries they always refer to one terminology what is called our guidance. What is this guidance suggesting mean? It is scientific forecasting, so, they are using forecasting tools to look at to what will be the scenario with respect to the organization in the next quarter itself.

So, instead of going to one year, organizations are looking at the next quarter that is 3 months later, how the organizational scenario looks like. So, the Indian IT industry has done extraordinarily well in this particular exercise whether it is Infosys, Wipro, or TCS; the strategic planning exercises which are done by these IT majors in the country has been remarkable over all these years and the country has gained tremendously because of the performance of these IT companies.

So, 1991 liberalisation brought in terrific transformation in the planning sector with respect to the industry. Whereas the 1984 competition reduced the time period of planning from 5 to 3 years, we started looking at a 1 year scenario from 1991 onwards. Now, in 2020 plus we are looking at a scenario for the next quarter. This is the way the competition dynamics have changed the planning scenario.

We will now come to what do we understand by strategic management in the formal context. Strategic planning can be looked at as management processes in organizations through which the future impact of change is determined and current decisions to reach a designed future are made. So, you visualize this scenario and as I said, we are visualizing the scenario for the next quarter only in the present-day context, what does it include?

It includes the entire process of major outside interest groups and their stakes expectations of dominant insight stockholders, information present, past present and projected future. Then evaluation of company's strengths and weaknesses formulation of organizational purpose, mission, objectives, policies, and strategies. Strategy looks at long term decisions. This include objectives, goals and the courses of action.

The term objectives can be explained by taking an example say a return on investment. The threshold being 10 percent that is let us say investment of 100 rupees after one year should grow to at least 110 rupees. But the goal will be higher than the threshold limit, kept at 15 percent. So, the return on investment threshold is 10 percent, goal 15 percent. Similarly, with respect to the sales growth- threshold 5 percent, goal 10 percent in the next year.

Now, if you really look at strategy in the present-day context, it can be explained using the concept of vector space. We will explain this by taking into consideration a simple industry basic chemicals and pharmaceutical which is called the product market scope.

The second vector space is called the growth vector. It looks at product development and concentric diversification. We will explain concentric diversification in the coming classes. The third vector spaces is competitive advantage, where we looking at patent protection, superior

research competence. The 4th vector space is use of firms research capabilities and production technology. In other words, these 4 vector spaces give you with respect to strategy what are the courses of action to be followed by an organization.

We first look at product market, then growth vector, competitive advantage finally at Synergy. This is the type of exercise went into by Ansoff for the Lockheed Aircraft Corporation. Next we look at the term purpose and mission. This purpose and mission with respect to an organization is used interchangeably in the planning process. We will take into account 1 or 2 examples and describe this in the next class. Thank you