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CORPORATE BUSINESS STRATEGIES IN INDIA: AN EVOCATIVE STUDY

KEYWORDS

Corporate Strategy, Corporate Planning, Strategic Management, Strategic Levels

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ABSTRACT

Across the globe, any business enterprise needs to maximize its profits and returns on investment in the long run. It is a must for their growth and survival. A suitable strategy has to be adopted in pursuit of its goals and objectives. Proper planning and management of all the production and marketing programmes will ultimately result in promotion of the wellbeing of such corporates. Thus, on the one hand, an effective strategic management in a corporate is inevitable to face the challenges of the internal and external business environment for gaining competitive advantage nationally and internationally. On the other hand, the societal welfare and the environmental protection are to be ensured by an entity while they strive hard for earning its profits through production and marketing of products or services. A study on this front is therefore the need of the hour owing to its universal applicability.

The objectives of this paper are to present the conceptual framework of the strategic planning and management, to describe the levels of business corporate strategy, and to highlight the current scenario of the strategic management in India.

INTRODUCTION

In the contemporary global business environment, organizations have been facing dynamic challenges in the 21st century. They need to think strategically by formulating corporate strategies. When a firm adopts a value-creating strategy, a sustainable competitive advantage occurs that other companies cannot easily either duplicate their benefits or initiate afresh. The term 'corporate strategy' includes commitments, decisions and actions needed for a firm to attain strategic competitiveness and earn attractive returns on investment. The objectives of a corporate strategy are highly complex and challenging not only for large firms but also for small firms.

The word, 'strategy' is derived from the Greek word 'statos' which means 'field, spread out as in 'structure' and 'agos' means 'leader'. In the 18th century, the term 'strategy' was used in wars to deceive enemies. Therefore, strategy is a set of key decisions which was used to achieve the objectives of an organization. It served as a master plan outlining its missions and goals and the ways and means to accomplish them.

Thus, strategy refers to a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions, and expectations that provides general guidance for specific actions in pursuit of particular ends. Nations have, in the management of their national policies, found it necessary to evolve strategies that adjust and correlate political, economic, technological, and psychological factors, along with military elements. Be it management of national polices, international relations, or even of a game on the playfield, it provides us with the preferred path that we should take for the journey that we actually make.

According to Chandler, 'Strategy is the determinator of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals'.

Mintzberg 'Strategy is a mediating force between the organization and its environment: consistent patterns in streams of organizational decisions to deal with the environment'. He identified 5Ps of strategies viz; Plan, Pattern, Position, Play and Perspective.

SIGNIFICANCE OF CORPORATE BUSINESS STRATEGY: AN OVERVIEW

Corporate strategy is a continuous on- going process and extends companywide over a diversified company's business. It is a boundary spanning planning activity considering all the elements of the micro and macro environments of a firm. The following are the key tasks of the process of developing and implementing a corporate strategy.

Corporate Business Strategy is very important owing to its advantages. It includes its universal applicability which enables organizations to keep pace with the dynamic environment. As a result, it minimizes the competitive disadvantages by focusing on their goals and objectives in the long run. Further, a corporate business strategy motivates the employees paving a way for sound decision making. It facilitates a firm to reach its vision and mission more economically and efficiently. Thus, a strategy is very useful to a corporate to understand its dynamic internal and external environments and formulate suitable policies from time to time.

LITERATURE REVIEW

Beer and Eisenstat (2000) conducted a study which revealed that responsible people and employees are expected to behave according to the new strategy in a body corporate.

Slater and Olson (2001) emphasized in their study that the consistency of strategy is vital which should be in line with the overall direction of the company and its goals.

Pryor, Anderson, Thoombs and Humphreys (2007) utilized the terms, Purpose, Principles, Processes, People and Performance in their models and described their importance and impacts on the corporate strategic growth.

OBJECTIVES OF THE STUDY

The objectives of the study are;

- to present the conceptual framework of the strategic planning and management,
- to describe the levels of business corporate strategy, and
- to highlight the current scenario of the strategic management in India.

LEVELS OF STRATEGY

A typical business firm should consider three types of strategies, which form a hierarchy which are explained as under;

Corporate strategy – Which describes a company's overall direction towards growth by managing business and product lines? These include stability, growth and retrenchment. For example, Coco cola, Inc., has followed the growth strategy by acquisition. It has acquired local bottling units to emerge as the market leader.

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Business strategy - Usually occurs at business unit or product level emphasizing the improvement of competitive position of a firm's products or services in an industry or market segment served by that business unit. Business strategy falls in the in the realm of corporate strategy.

For example, Apple Computers uses a differentiation competitive strategy that emphasizes innovative product with creative design. In contrast, ANZ Grindlays merged with Standard Chartered Bank to emerge competitively.

Functional strategy – It is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a distinctive competence to provide the firm with a competitive advantage.

For example, Procter and Gamble spends huge amounts on advertising to create customer demand.

Operating strategy - These are concerned with how the component parts of an organization deliver effectively the corporate, business and functional -level strategies in terms of resources, processes and people. They are at departmental level and set periodic short-term targets for accomplishment.

COMPONENTS OF STRATEGIC MANAGEMENT

The components of strategic management are depicted in Fig.1.1 and 1.2.

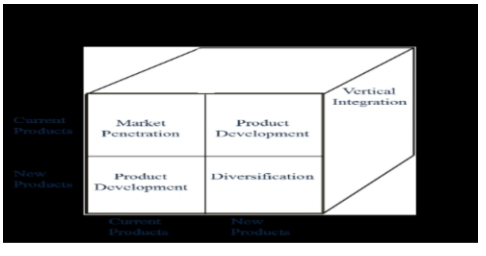

Fig.1.1.

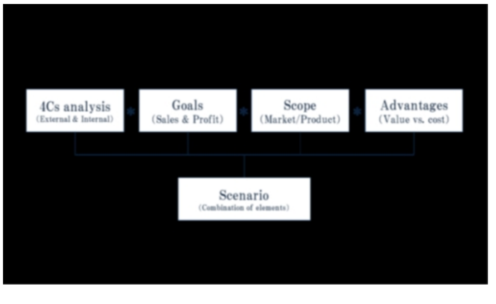

Fig.1.2.

Process of Strategic Management

Strategic management consists of four basic elements.

- Environmental scanning
- Strategy formulation
- Strategy implementation
- Evaluation and control

Mintzberg's modes of strategic decision-making

Henry Mintzberg has given three most typical approaches of strategic decision making which include:

- Entrepreneurial mode
- Adaptive mode
- Planning mode

The three modes of strategic decision making are discussed below;

Entrepreneurial Mode: Strategy is made by one powerful individual who has entrepreneurial competencies like innovation and risk taking. The focus is on opportunities.

Problems are secondary. Generally the founder is the entrepreneur and the strategy is guided by his or her own vision of direction and is exemplified by bold decisions.

The success of Biocon India founded by Kiran Mazumdur shaw is an example of this mode of strategic decision making.

Adaptive mode : Sometimes referred to as "muddling through," this decision-making mode is characterized by reactive solutions to existing problems, rather than a proactive search for new opportunities. Much bargaining goes on concerning priorities of objectives. Strategy is fragmented and is developed to move the corporation forward incrementally. This mode is typical of most universities, many large hospitals and a large number of governmental agencies.

Planning mode : This decision making mode involves the systematic gathering of appropriate information for situation analysis, the generation of feasible alternative strategies,and the rational selection of the most appropriate strategy. It includes both the proactive search for new opportunities and the reactive solution of existing problems.

Hewlett-Packard (HP) is an example of the planning mode. After a careful study of trends in the computer and communications industries, management noted that the company needed to stop thinking of itself as a collection of stand-alone products with a primary focus on instrumentation and computer hardware.

A fourth mode of 'logical incrementalism' was later added by Quinn.

Logical Incrementalism : In this mode, top management first develops reasonably clear idea of the corportion's mission and objectives. Then in its development of strategies, it chooses to use "an interactive process in which the organization probes the future, experiments and learns from a series of partial (incremental) commitments rather than through global formulations of total strategies". Thus the strategy is allowed to emerge out of debate, discussion, and experimentation. This approach appears to be useful when

- the environment is changing rapidly,
- it is important to build consensus, and
- needed resources are to be developed before committing the entire corporation to a specific strategy.

Dr. Reddy's Laboratories follows this mode.

In this context, it is also worth-mentioning that strategic planning is an integral component of strategic management. However, it differs in certain aspects as shown in Table. 1.1 below;

Table 1.1. Distinction between Strategic Management Planning and Strategic Management

	Strategic Planning	Strategic Management
Assumptions	Incremental changes Predictable discontinuity	Radical changes Unpredictable discontinuity
Process	Periodic cycle	Real time
Tools	Analysis and planning	Assume and respond
Key word	Sustainable competitive advantages	Chain of temporary competitive advantages
Output	Business model	Scenario/Story
In Charge	Management	Leaders and Staff

Strategic management in India

The new initiatives of strategic management in India are enumerated below;

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1. The abolition of public sector monopoly or dominance in a number of industries has enormously increased business opportunities. Many of them are high-tech and heavy investment sectors which make strategic management all the more relevant.

2. The delicensing has removed not only an important entry and growth barrier but also a consumption (and, therefore, demand) barrier. In the past, because of non-production/limited production and import restrictions, many goods were non-available or had limited availability (in quantity and /or variety).

3. The scrapping of most of the MRTP Act restrictions on entry, growth and Mergers &Acquisitions (M&As) , along with the de-reservation and de-licensing of industries referred to above, have opened up floodgates of business opportunities for large enterprises.

4. The liberalization in policy towards foreign capital and technology, imports and accessing foreign capital markets provides companies opportunities for enhancing their strengths.

Conclusion

No business corporate can attain its long term goals of maximising its profits or market share for its products/services without having an effective strategic management. In order to achieve its short term and long term goals, appropriate corporate strategies are to be formulated and implemented at different levels of management in an organization. Thus, efficient strategic planning and management will not only yield better returns to the corporate directly but it will also create employment opportunities for the people indirectly. This will, in turn, contribute substantially to the socio-economic growth of a nation in particular and the world economy in general. Owing to its potential, utmost care should be exercised within the organization by the management executives while formulating and implementing the corporate strategies. This must strike a balance between the goals of the corporate and the welfare of the society at large.

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