Strategic Management

CA Inter: May 24

Chapter 5

I am really proud of myself. Because I'm on, realizing the dreams I set for myself. I struggled to pay fees for coaching class. Now, as I empower many of you to access the finest classes at the most affordable rates, I see the true impact of my CA Degree.

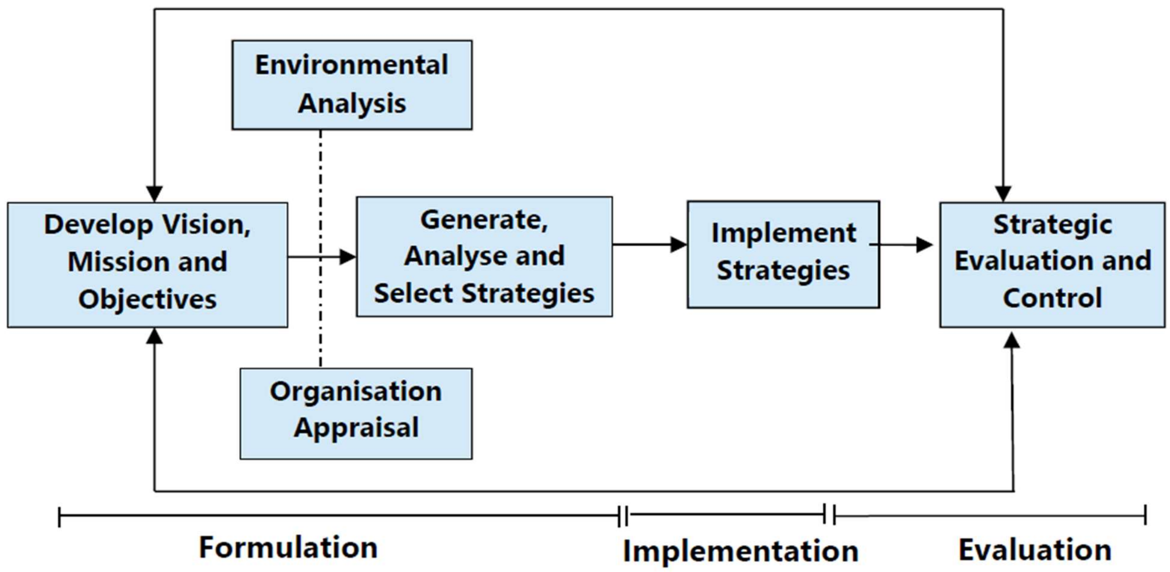
Behind the creation of these lectures and notes lie countless sleepless nights and hard work. I hope you will stay focussed and try your best to clear your exams!!

CA Himanshu

Introduction

The strategic management process is dynamic and continuous. A change in anyone of the major components in the model can necessitate a change in any or all of the other components. Strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semi-annually.

Strategic Management Model - Fred R David



Stages in Strategic Management

Strategic management involves the following stages:

1. Developing a strategic vision and formulation of statement of mission, goals and objectives.
2. Environmental and organisational analysis.
3. Formulation of strategy.
4. Implementation of strategy.
5. Strategic evaluation and control

Stage 1: Strategic Vision, Mission and Objectives

Strategic Vision:

1. Determine the directional path for the company.
2. Identify changes in product, market, customer, and technology focus to enhance market position and future prospects.
3. Top management's conclusions form a strategic vision for the company, outlining aspirations and guiding its identity.
4. A clearly articulated strategic vision communicates goals to stakeholders and aligns the company personnel's efforts.

Mission:

1. Express the organization's role through a mission statement.
2. Provides clarity to external stakeholders and internal managers about the organization's objectives and expected methods.
3. Focus is on overall strategic direction, not detailed competitive strategies.

Corporate Goals and Objectives:

1. Flow from the mission and growth ambition.
2. Quantify the desired growth and impart characteristics for achieving it.
3. Objectives set the basis for decision-making and organizational performance at all levels.

Objective-Setting Process:

1. Convert strategic vision into specific performance targets.
2. Act as yardsticks for tracking progress and performance.
3. Managers use objectives to challenge the organization to reach its full potential.

Hierarchy of Objectives:

1. Objectives are essential at all organizational levels.
2. Break down company objectives into performance targets for each business, product line, department, and work unit.
3. Each organizational unit must contribute to companywide outcomes and results, aligning with strategic and financial objectives.

Stage 2: Environmental and Organisational Analysis

This stage is the diagnostic phase of strategic analysis. It entails two types of analysis:

1. Environmental scanning
2. Organisational analysis

The **External environment** of a firm consists of economic, social, technological, market and other forces which affect its functioning. The firm's external environment is dynamic and uncertain. So, the management must systematically be analysed various elements of environment to determine opportunities and threats for the firm in future.

Organisational analysis involved a review of financial resources, technological resources, productive capacity, marketing and distribution effectiveness, research and development, human resource skills and so on. This would reveal organisational strengths and weaknesses which could be matched with the threats and opportunities in the external environment. This would provide us a framework for SWOT analysis (Strength, Weakness, Opportunity and Threat) which could be in the form of a table highlighting various strengths and weaknesses of the firm and opportunities and threats which the environment we create for the firm.

Stage 3: Formulating Strategy

The first step in strategy formulation is developing strategic alternatives in the light of organisation strengths and weaknesses, and opportunities and threats in the environment.

The second step is the deep analysis of various strategic alternatives for the purpose of choosing the most appropriate alternative which will serve as the strategy of the firm.

A company may be confronted with several alternatives such as:

1. Should the company continue in the same business carrying on the same volume of activities?
2. If it should continue in the same business, should it grow by expanding the existing units or by establishing new units or by acquiring other units in the industry?
3. If it should diversify, should it diversify into related areas or unrelated areas?
4. Should it get out of an existing business fully or partially?

The above strategic alternatives may be designated as stability strategy, growth/expansion strategy and retrenchment strategy. A company may also follow a combination of these alternatives called combination strategy.

Stage 4: Implementation of Strategy ★★★

Implementation and execution are an operations-oriented activity aimed at shaping the performance of core business activities in a strategy-supportive manner.

It is the most demanding and time-consuming part of the strategy management process.

To convert strategic plans into actions and results, a manager must be able to direct organisational change, motivate people, build and strengthen company competencies and competitive capabilities, create a strategy supportive work climate, and meet or beat performance targets.

In most situations, strategy-execution process includes the following principal aspects:

1. Developing budgets that steer ample resources into those activities critical to strategic success.
2. Staffing the organisation with the needed skills and expertise, consciously building and strengthening strategy-supportive competencies and competitive capabilities and organising the work effort.
3. Ensuring that policies and operating procedures facilitate rather than impede effective execution.
4. Using the best-known practices to perform core business activities and pushing for continuous improvement.
5. Installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out.
6. Motivating people to pursue the target objectives energetically.
7. Creating a company culture and work climate conducive to successful strategy implementation and execution.
8. Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution. When the organisation encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.

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Good strategy execution involves creating strong "fits" between strategy and organisational capabilities, between strategy and the reward structure, between strategy and internal operating systems, and between strategy and the organisation's work climate and culture.

Budgets for Success	1. Develop budgets that allocate enough resources to crucial strategic success.
Skilled Workforce	2. Staff the organization with the right skills, building and strengthening competencies that support the strategy.
Effective Policies	3. Ensure policies and procedures help, not hinder, effective execution.
Continuous Improvement	4. Use best practices for core activities and strive for ongoing improvement.
Information Systems	5. Implement systems that help personnel carry out their strategic roles effectively.
Motivating Objectives	6. Motivate people to energetically pursue target objectives.
Positive Work Culture	7. Create a company culture and climate that supports successful strategy implementation.
Leadership for Executior	8. Provide internal leadership to drive implementation and address issues promptly for ongoing improvement.

Stage 5: Strategic Evaluation and Control

1. Evaluate progress, assess external impacts, and make adjustments in the last stage of strategic management.
2. If company direction aligns well with industry conditions and targets are met, executives may continue without major changes.
3. Disruptive external changes prompt questions about the appropriateness of direction and strategy.
4. Downturns or performance shortfalls require investigation into poor strategy, execution, or both, with timely corrective action.
5. Revisit company direction, objectives, and strategy based on changing external or internal conditions.
6. Proficient strategy execution comes from organizational learning.
7. Assess what's working well and what needs improvement periodically.
8. Vigilantly search for ways to improve strategy execution continuously and make corrective adjustments whenever and wherever useful.

Strategy Formulation

Strategic Planning: The game plan that really directs the company towards success is called "corporate strategy". The success of the company depends on how well this game plan works. Because of this, the core of the process of strategic planning is the formation of corporate strategy.

The formation of corporate strategy is the result of a process known as strategic planning.

1. Strategic planning is the process of determining the objectives of the firm, resources required to attain these objectives and formulation of policies to govern the acquisition, use and disposition of resources.
2. Strategic planning involves a fact of interactive and overlapping decisions leading to the development of an effective strategy for the firm.
3. Strategic planning determines where an organisation is going over the next year or more and the ways for going there.
4. The process is organisation-wide or focused on a major function such as a division or other major function.

Strategic uncertainty and how to deal with it?

Strategic uncertainty refers to the unpredictability and unpredictability of future events and circumstances that can impact an organization's strategy and goals.

It is useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis.

1. **Flexibility:** Organizations can build flexibility into their strategies to quickly adapt to changes in the environment.
2. **Diversification:** Diversifying the organization's product portfolio, markets, and customer base can reduce the impact of strategic uncertainty.
3. **Monitoring and Scenario Planning:** Organizations can regularly monitor key indicators of change and conduct scenario planning to understand how different future scenarios might impact their strategies.
4. **Building Resilience:** Organizations can invest in building internal resilience, such as strengthening their operational processes, increasing their financial flexibility, and improving their risk management capabilities.
5. **Collaboration and Partnerships:** Collaborating with other organizations, suppliers, customers, and partners can help organizations pool resources, share risk, and gain access to new markets and technologies.

Strategy Implementation

Strategy implementation is the hands-on process where managers put a chosen strategy into action. It involves overseeing and improving the strategy's execution to achieve measurable results. This phase translates strategic decisions into practical steps, considering feasibility. It also requires allocating resources, adapting the organization, training personnel, and developing systems for effective implementation. Ultimately, strategy implementation is about turning strategic plans into successful actions.

Relationship with strategy formulation:

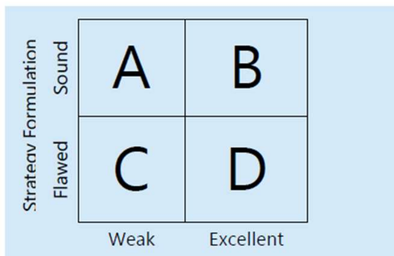


Figure: Strategy formulation and implementation matrix

Square A

Company apparently has formulated a very competitive strategy but is showing difficulties in implementing it successfully. This can be due to various factors, such as the lack of experience (e.g. for startups), the lack of resources, missing leadership and so on.

Square B

The ideal situation where a company has succeeded in designing a sound and competitive strategy and has been successful in implementing it.

Square C

It denotes for companies that haven't succeeded in coming up with a sound strategy formulation and in addition are bad at implementing their flawed strategic model. Their path to success also goes through business model redesign and implementation/execution readjustment.

Square D

This is the situation where the strategy formulation is flawed, but the company is showing excellent implementation skills. When a company finds itself in square D the first thing, they have to do is to redesign their strategy before readjusting their implementation/execution skills.

Strategy' is not synonymous with 'long-term plan' but rather consists of an enterprise's attempts to reach some preferred future state by adapting its competitive position as circumstances change. While a series of strategic moves may be planned, competitors' actions will mean that the actual moves will have to be modified to take account of those actions.

Principal combinations of efficiency and effectiveness

Strategic Formulation

Operational Management	Effective	Ineffective
Efficient	1 Thrive	2 Die Slowly
Inefficient	3 Survive	4 Die Quickly

In organizations that lack strategic direction there has been a tendency to look inwards in times of stress, and for management to devote their attention to cost cutting and to shedding unprofitable divisions. In other words, the focus has been on efficiency (i.e., the relationship between inputs and outputs, usually with a short time horizon) rather than on effectiveness (which is concerned with the attainment of organisational goals - including that of desired competitive position). While efficiency is essentially introspective, effectiveness highlights the links between the organization and its environment. The responsibility for efficiency lies with operational managers, with top management having the primary responsibility for the strategic orientation of the organization.

1. Cell 1 is well placed and thrives, since it is achieving what it aspires to achieve with an efficient output/input ratio.
2. In contrast, an organization in cell 2 or 4 is doomed, unless it can establish some strategic direction.
3. 2 is a worse place to be than is cell 3 since, in the latter, the strategic direction is present to ensure effectiveness

"To be effective is to do the right thing, while to be efficient is to do the thing right."

Difference between Strategy Formulation and Implementation

Strategy Formulation Vs. Strategy Implementation

Strategy Formulation	Strategy Implementation
Strategy Formulation includes planning and decision-making involved in developing organization's strategic goals and plans.	Strategy Implementation involves all those means related to executing the strategic plans.
In short, Strategy Formulation is **placing the Forces before the action**.	In short, Strategy Implementation is **managing forces during the action**.
An **Entrepreneurial Activity** based on strategic decision-making.	An **Administrative Task** based on strategic and operational decisions.
Emphasizes on **effectiveness**.	Emphasizes on **efficiency**.
Primarily an **intellectual and rational process**.	Primarily an **operational process**.
Requires co-ordination among few individuals at the top level.	Requires co-ordination among many individuals at the middle and lower levels.
Requires a great deal of **initiative, logical skills, conceptual intuitive and analytical skills.**	Requires specific **motivational and leadership traits**.
Strategic Formulation precedes Strategy Implementation.	Strategy Implementation follows Strategy Formulation.

Linkages and Issues in Strategy Implementation

The division of strategic management into different phases is only for the purpose of orderly study. In real life, the formulation and implementation processes are intertwined.

Two types of linkages exist between these two phases of strategic management.

- The forward linkages deal with the impact of strategy formulation on strategy implementation while
- The backward linkages are concerned with the impact in the opposite direction.

Forward Linkages: The different elements in strategy formulation starting with objective setting through environmental and organizational appraisal, strategic alternatives and choice to the strategic plan determine the course that an organization adopts for itself. With the formulation of new strategies, or reformulation of existing strategies, many changes have to be affected within the organization. For instance, the organizational structure has to undergo a change in the light of the requirements of the modified or new strategy. The style of leadership has to be adapted to the needs of the modified or new strategies. In this way, the formulation of strategies has forward linkages with their implementation.

Backward Linkages: Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.

While strategy formulation is primarily an entrepreneurial activity, based on strategic decision-making, the implementation of strategy is mainly an administrative task based on strategic as well as operational decision-making.

Issues in Strategies Implementation

1. **Implementation Challenges**: Implementing strategies involves various challenges covering all aspects of management studies.
2. **Strategist's Requirements:** Strategists need a broad range of knowledge, skills, attitudes, and abilities to handle implementation tasks effectively.
3. **Testing Abilities:** Implementation tasks test a strategist's abilities in resource allocation, organizational structure design, formulation of functional policies, and providing strategic leadership.
4. **Role of Strategic Plan:** A strategic plan outlines how strategies can be put into action, as strategies themselves are statements of intent and need activation through implementation.
5. **Programmes as Implementation Tools**: Strategies should result in the formulation of programmes, encompassing goals, policies, procedures, rules, and action steps, often supported by allocated funds.
6. **Projects as Specific Programmes**: Projects are specific programmes with predetermined time schedules and costs, requiring fund allocation through capital budgeting.

7. **Resource Allocation for Projects**: Implementation involves more than planning; it requires allocating resources, designing organizational structures, installing systems, formulating policies, and providing necessary behavioural inputs.
8. **Comprehensive Approach:** Successful implementation goes beyond formulating plans, encompassing resources, organizational structures, systems, policies, and behavioural aspects to ensure effective strategy execution.

Given below in sequential manner the issues in strategy implementation which are to be considered:

1. Project implementation
2. Procedural implementation
3. Resource allocation
4. Structural implementation
5. Functional implementation
6. Behavioural implementation

Strategic Change

The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

Steps to initiate strategic change: For initiating strategic change, three steps can be identified as under:

1. **Recognize the need for change:** The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not. This basically means going for environmental scanning involving appraisal of both internal and external capabilities may be through SWOT analysis and then determining where the lacuna lies and scope for change exists.

2. **Create a shared vision to manage change:** Objectives of both individuals and organization should coincide. There should be no conflict between them. This is possible only if the management and the organization members follow a shared vision. Senior managers need to constantly and consistently communicate the vision to all the organizational members. They have to convince all those concerned that the change in business culture is not superficial or cosmetic. The actions taken have to be credible, highly visible and unmistakably indicative of management's seriousness to new strategic initiatives and associated changes.

3. **Institutionalise the change:** This is basically an action stage which requires implementation of changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of thinking or doing things. Capacity for self-renewal should be a fundamental anchor of the new culture of the firm. Besides, change process must be regularly monitored and reviewed to analyse the after-effects of change. Any discrepancy or deviation should be brought to the notice of persons concerned so

that the necessary corrective actions are taken. It takes time for the changed culture to prevail.

Step 1: Recognize the Need for Change	• Diagnose current corporate culture for strategy support. • Conduct environmental scanning, including SWOT analysis. • Identify lacunae and areas for change.
Step 2: Create a Shared Vision for Change	• Align individual and organizational objectives. • Establish a shared vision to eliminate conflicts. • Senior management communication is crucial. • Emphasize that cultural change is substantive, not cosmetic. • Actions must be credible, visible, and indicative of management's commitment.
Step 3: Institutionalize the Change	• Implement the changed strategy. • Foster a sustained attitude toward change. • Prevent reverting to old ways; encourage self-renewal. • Regularly monitor and review the change process. • Analyse after-effects and address any discrepancies. • Time is needed for the new culture to take root.

Kurt Lewin's Model of Change:

To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are:

1. **Unfreezing**
2. **Changing and**
3. **Refreezing**

1. **Unfreezing the situation:** The process of unfreezing simply makes the individuals aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change. Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. This can be achieved by making announcements, holding meetings and promoting the new ideas throughout the organization.

2. **Changing to the new situation:** Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. H.C. Kellman has proposed three methods for

reassigning new patterns of behaviour. These are compliance, identification and internalization.

- **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.
- **Identification:** Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.
- **Internalization:** Internalization involves some internal changing of the individual's thought processes in order to adjust to the changes introduced. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.

3. **Refreezing:** Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this new acquired behaviour does not diminish or extinguish. Change process is not a one-time application but a continuous process due to dynamism and ever-changing environment. The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.

Step 1: Unfreezing the Situation	• Make individuals aware of the need for change. • Prepare them for the upcoming change. • Avoid sudden, unannounced changes for social and morale reasons. • "Unfreezing" breaks down old attitudes and behaviours through announcements, meetings, and promoting new ideas.
Step 2: Changing to the New Situation	• After unfreezing, redefine behaviour patterns. • H.C. Kellman's three methods for reassigning behaviour: ⅄ Compliance: Enforce reward and punishment strategies. ⅄ Identification: Encourage members to identify with role models and adopt their behaviour. ⅄ Internalization: Internally change thought processes to adjust to introduced changes
Step 3: Refreezing	• Refreezing occurs when new behaviour becomes the norm. • New behaviour must completely replace old behaviour. • Continuous reinforcement is essential for permanent change. • The change process is cyclical and continuous due to dynamic environments. • Unfreezing, changing, and refreezing remain in constant action.

How does Digital Transformation work?

The use of digital technologies to develop fresh, improved, or entirely new company procedures, goods, or services is known as "digital transformation

Elements of Change Management in Digital Transition

Change management in the digital transition consists of four essential elements:

1. Defining the goals and objectives of the transformation
2. Assessing the current state of the organization and identifying gaps
3. Creating a roadmap for change that outlines the steps needed to reach the desired state
4. Implementing and managing the change at every level of the organization
5. To navigate a digital transformation successfully, each of these elements is

How does change management work?

1. Change management is a process or set of tools and best practices.
2. Its purpose is to manage changes in an organization safely, reducing detrimental effects.
3. Applicable to various entities, including enterprises, governmental bodies, and families.
4. Change management models have common elements:
    - Creating a clear vision for the change.
    - Involving stakeholders in the process.
    - Developing a plan for implementation.
    - Monitoring and evaluating results.
5. Change management is often perceived as difficult and complicated.

The role of change management in digital transformation

Change management is the process of planning, implementing, and monitoring changes in an organization. It provides organizations in achieving their objectives while reducing risks and disruptions. For any organisation undergoing a digital transition, change management is crucial.

A properly implemented change management strategy can help an organization to:

1. Specify the parameters and goals of the digital transformation
2. Determine which procedures and tools need to be modified.
3. Make a plan for implementing the improvements.
4. Involve staff members and parties involved in the transformation process.
5. Track progress and make required course corrections

Change Management Strategies for Digital Transformation

The **five best practices** for managing change in small and medium-sized businesses are:

1. **Begin at the top:** A focused, invested, united leadership that is on the same page about the company's future is reflected in change that begins at the top. The culture that will motivate the rest of the organisation to accept change can only be generated and promoted in this way.

2. **Ensure that the change is both necessary and desired:** The fact that decision-makers are unaware of how to properly handle a digital transformation and the effects it will have

on their firm is one of the main causes of this. If a corporation doesn't have a sound strategy in place, introducing too much too fast can frequently become a major issue down the road.

3. **Reduce disruption:** Employee perceptions of what is required or desirable change can differ by department, rank, or performance history. It's crucial to lessen how changes affect staff. The introduction of new tactics or technologies intended to improve management and corporate operations causes employee concern about change. It is possible to reduce workplace disruption by:
   a. Getting the word out early and preparing for some interruption.
   b. Giving staff members the knowledge and tools, they need to adjust to change.
   c. Creating an environment that encourages transformation or change.
   d. Empowering change agents to provide context and clarity for changes, such as project managers or team leaders.
   e. Ensuring that IT department is informed of changes in technology or infrastructure and is prepared to support them.

4. **Encourage communication:** Create channels so that workers may contact you with queries or complaints. Encourage departmental collaboration to propagate ideas and innovations as new procedures take root. Communication promotes efficiency and has the power to influence culture, just like your vision. The people who will be affected the most by these changes are reassured that they are not in danger through effective communication, which keeps everyone on the same page.

5. **Recognize that change is the norm, not the exception:** Change readiness may be defined as "the ability to continuously initiate and respond to change in ways that create advantage, minimize risk, and sustain performance." In order to keep up with the customers, businesses must also adapt their
   operations. They must prepare for change in advance and expect them. It may run into difficulties because change is not a project but rather an ongoing process.

Begin at the Top:	⅄ Focused, invested, united leadership reflects change starting at the top. ⅄ A united leadership promotes a culture encouraging the acceptance of change.
Ensure that the change is both necessary and desired:	⅄ Decision-makers' awareness of handling digital transformation is crucial. ⅄ Lack of a sound strategy can lead to challenges with introducing too much change too quickly.
Reduce Disruption:	⅄ Employee perceptions of necessary change may vary. ⅄ Strategies to reduce workplace disruption: • Early communication and preparation for disruption. • Providing knowledge and tools for staff to adjust. • Creating an environment supportive of change. • Empowering change agents to provide clarity.

	• Keeping the IT department informed and prepared for technological changes.
Encourage Communication:	⅄ Establish channels for worker queries or complaints. ⅄ Foster departmental collaboration for sharing ideas and innovations. ⅄ Effective communication reassures those affected by changes, keeping everyone informed.
Recognize that change is the norm, not the exception	⅄ Change readiness is essential for creating advantage, minimizing risk, and sustaining performance. ⅄ Businesses must adapt operations to keep up with customers. ⅄ Change is an ongoing process, not a one-time project.

How to Manage Change during Digital Transformation

Here are some pointers for navigating change during the digital transformation:

1. **Specify the digital transformation's aims and objectives:** What is the intended outcome? What are the precise objectives that must be accomplished? It will be easier to make sure that everyone is on the same page and pursuing the same aims if everyone has a clear grasp of the goals.
2. **Always, always, always communicate:** It might be challenging for people to accept change and adjust to it. Ensure that you routinely and honestly discuss the objectives of the digital transformation and how they will affect stakeholders, including employees, clients, and other parties.
3. **Be ready for resistance:** Even when a change is for the better, it can be challenging for people to embrace it. Have a strategy in place for dealing with any resistance that may arise.
4. **Implement changes gradually:** Changes should ideally be implemented gradually rather than all at once. In order to avoid overwhelming individuals with too much change at once, this will give people time to become used to the new way of doing things.
5. **Offer assistance and training:** Workers will need guidance in the new procedures, software applications, etc.

Organisational Framework

The McKinsey 7S Model refers to a tool that analyses a company's **"organizational design."**

The **goal** of the model is to depict "**how effectiveness can be achieved in an organization through the interactions of hard and soft elements.'**

The McKinsey 7s Model focuses on how the "**Soft Ss**" and "**Hard Ss**" elements are interrelated, suggesting that modifying one aspect might have a ripple effect on the other elements in order to maintain an effective balance.

The **Hard elements** are directly controlled by the management. The following elements are the hard elements in an organization.

1. **Strategy:** The direction of the organization, a blueprint to build on a core competency and achieve competitive advantage to drive margins and lead the industry

2. **Structure:** depending on the availability of resources and the degree of centralisation or decentralization that the management desires, it choses from the available alternatives of organizational structures.
3. **Systems:** The development of daily tasks, operations and teams to execute the goals and objectives in the most efficient and effective manner.

The **Soft elements** are difficult to define as they are more governed by the culture. But these soft elements are equally important in determining an organization's success as well as growth in the industry. The following are the soft elements in this model;

1. **Shared Values:** The core values which get reflected within the organizational culture or influence the code of ethics of the management.
2. **Style:** This depicts the leadership style and how it influences the strategic decisions of the organisation. It also revolves around people motivation and organizational delivery of goals.
3. **Staff:** The talent pool of the organisation.
4. **Skills:** The core competencies or the key skills of the employees play a vital role in defining the organizational success.

Limitation of McKinsey 7S Model

1. It ignores the importance of the external environment and depicts only the most crucial elements within the organization.
2. The model does not clearly explain the concept of organizational effectiveness or performance.
3. The model is considered to be more static and less flexible for decision making.
4. It is generally criticized for missing out the real gaps in conceptualization and execution of strategy.

Organisation Structure

Changes in corporate strategy often require changes in the way an organization is structured for two major reasons.

1. **First**, the way a company is organized (structure) is **crucial for setting goals and rules** to achieve its plans. For example, if the organization is arranged by location, goals and rules will be about different places. If it's organized by product groups, goals and rules will be about those products. This structure also affects how strategies are put into.
2. **Second**, the structure determines **how resources are distributed** to meet strategic goals. If the organization is structured around customer groups, resources are allocated based on those groups. Similarly, if the structure follows functional business lines, resources are distributed according to functional areas.

Chandler's Strategy-Structure Relationship

1. Chandler's insight: Changes in strategy drive changes in organizational structure.
2. Structure should align with strategic goals, with structure following strategy.
3. Recurring structural sequences noted by Chandler as organizations grow and evolve.
4. No universal optimal design; appropriateness varies among firms in the same industry.

5. Examples of structures: Consumer goods use divisional structure-by-product, small firms are functionally structured, medium-size firms are divisionally structured, and large firms use SBU or matrix.
6. Organizational structures evolve from simple to complex with growth and strategy integration.
7. External and internal forces influence firms, but addressing each force through structural changes would cause chaos.
8. Changes in strategy may make existing structures ineffective, with symptoms like excessive levels of management and meetings.
9. Organizational structure can facilitate strategy implementation but won't turn a bad strategy, managers, or products successful.
10. Different types of organizational structures include functional, divisional geography /product/ customer, divisional process, SBU, and matrix.

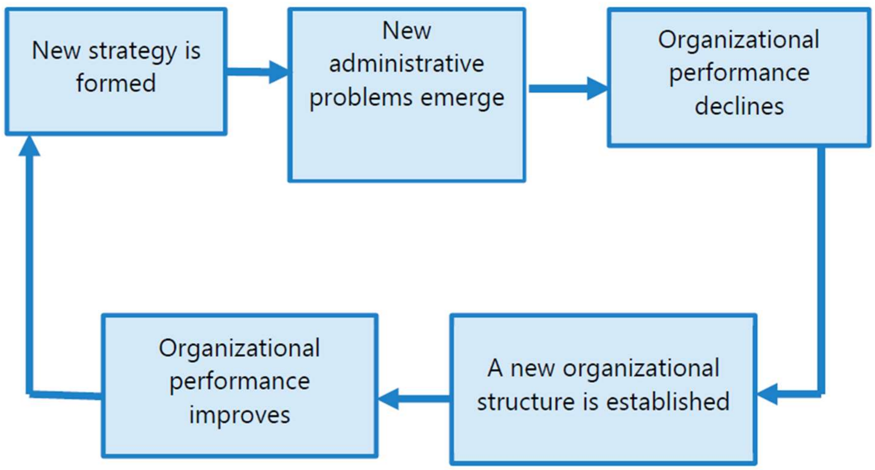


Figure: Chandler's Strategy-Structure Relationship

Types of Organization Structure:

1. **Simple Structure**
2. **Functional Structure**
3. **Divisional Structure**
4. **Multi Divisional Structure**
5. **Strategic Business Unit (SBU) Structure**
6. **Matrix Structure**
7. **Network Structure**
8. **Hourglass Structure**

1. Simple Structure

1. Simple organizational structure is suitable for **single-business companies** with a line of products in a single geographic market.
2. Appropriate for **focused cost leadership or focused differentiation** strategies.

3. Characterized by **owner-manager making major decisions**, little task specialization, few rules, low formalization, and direct owner-manager involvement in day-to-day operations.
4. Frequent and direct communication, rapid introduction of new products, and fewer coordination problems in comparison to larger organizations.
5. Competitive advantages for small companies include openness to innovation, structural flexibility, and quick response to environmental changes.
6. Growth may lead to outgrowing the simple structure, with increased information-processing requirements and pressures on owner-managers.
7. Managers should recognize inadequacies of the simple structure and adapt it to align with the company's strategy.
8. To handle more complex functions, companies should transition from a simple structure to a functional structure.
9. The functional structure is employed by larger companies and those with low levels of diversification.

2. Functional Structure

Figure: Functional Structure

1. Functional structure is widely used in business organizations due to its simplicity and cost-effectiveness.
2. Tasks and activities are grouped by business function, such as production, marketing, finance, research and development, and management information systems.
3. Promotes specialization of labour, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision-making.
4. Structure includes a CEO or managing director, supported by corporate staff and functional line managers in dominant functions.
5. Overcomes growth-related constraints of the simple structure, facilitating communication and coordination.
6. Potential problems compared to the simple structure include communication and coordination challenges due to differences in functional specialization and orientation.
7. CEO must integrate functional decision-making and coordinate actions across functions.
8. Functional specialists may develop a narrow perspective, losing sight of the company's strategic vision and mission.
9. To overcome these issues, the multidivisional structure can be implemented.

3. Divisional Structure

1. Growth challenges for firms lead to the need for a divisional structure for effective management of diverse products and services in various markets.

2. Divisional structure can be organized by geographic area, product or service, customer, or process.
3. Clear accountability in divisional structure, with managers held responsible for sales and profits, boosting employee morale.
4. Advantages include career development opportunities, local control, competitive climate, and easy addition of new businesses or products.
5. Limitations include high costs due to functional specialists, duplication of staff and facilities, and the need for well-qualified managers.
6. Divisional structure requires an elaborate control system and may lead to difficulties in maintaining consistent companywide practices.
7. Divisional structure by geographic area suits organizations targeting the needs of customers in different regions, promoting local participation and coordination.
8. Divisional structure by product is effective when specific products or services require emphasis, allowing strict control but requiring skilled management.
9. Divisional structure by customer is suitable when major customers are crucial, allowing effective catering to specific customer groups.
10. Divisional structure by process organizes activities based on how work is performed, with departments accountable for profits or revenues.

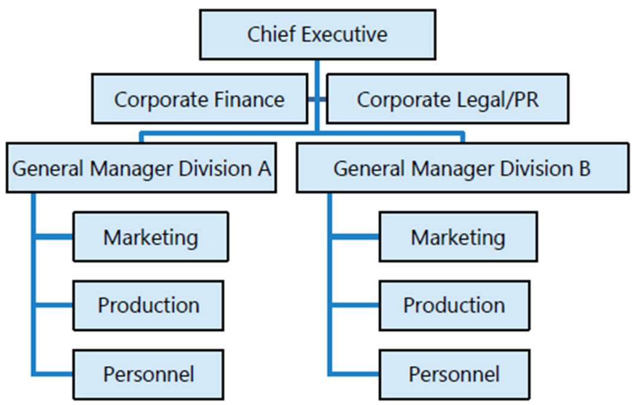


Figure: Divisional Structure

4. Multi-Division Structure

1. Multidivisional (M-form) structure consists of operating divisions, each representing a separate business.
2. Top corporate officer delegates day-to-day operations and business unit strategy to division managers.
3. Corporate office is responsible for formulating and implementing overall corporate strategy, managing divisions through strategic and financial controls.
4. Developed in the 1920s to address coordination and control issues in large firms.
5. Functional departments faced challenges dealing with distinct product lines and markets, leading to difficulties in coordinating conflicting priorities.
6. Costs were not allocated to individual products, hindering the assessment of each product's profit contribution.
7. Loss of control made optimal resource allocation between products difficult.

8. Top managers became overly involved in short-term problem-solving, neglecting long-term strategic issues.

Multidivisional structure calls for:

1. Creating separate divisions, each representing a distinct business
2. Each division would house its functional hierarchy;
3. Division managers would be given responsibility for managing day-to-day operations;
4. A small corporate office that would determine the long-term strategic direction of the firm and exercise overall financial control over the semiautonomous divisions.

Benefits of Multidivisional Structure:

1. Accurate monitoring of individual business performance is facilitated, simplifying control issues and enabling better resource allocation.
2. Comparisons between divisions are made easier, encouraging poorly performing managers to seek ways to improve.
3. In less diversified firms, strategic controls are used to manage divisions, involving corporate officers' operational understanding of implemented strategies.
4. Increased diversification challenges corporate officers' ability to understand all business units, leading to the use of financial controls for managing divisions.
5. Financial controls focus on cash flow through budgets and emphasize profits from distinct businesses.
6. Financial controls require divisional performance to be largely independent of each other, leading to the introduction of Strategic Business Units (SBUs).

5. Strategic Business Unit (SBU) Structure

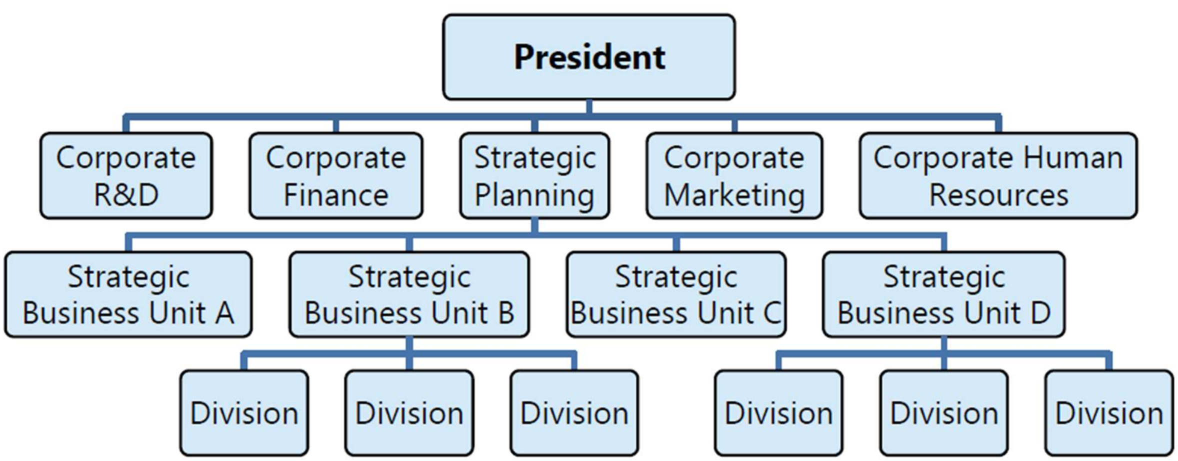


Figure: SBU Structure

An SBU is a grouping of related businesses, which is amenable to composite planning treatment. As per this concept, a multi-business enterprise groups its multitude of businesses into a few distinct business units in a scientific way. The purpose is to provide effective strategic planning treatment to each one of its products or businesses.

The three most important characteristics of a SBU are:

1. It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly standalone from the rest of the organization.
2. It has its own set of competitors.
3. It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.

The SBU structure is composed of **operating units** where each unit represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to its managers.

By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages SBUs through strategic and financial controls.

Hence, the SBU structure groups similar products into strategic business units and delegates authority and responsibility for each unit to a senior executive who reports directly to the chief executive office.

A strategic business unit (SBU) structure consists of at least three levels, with a corporate headquarters at the top, SBU groups at the second level, and divisions grouped by relatedness within each SBU at the third level.

The attributes of an SBU and the benefits a firm may derive by using the SBU Structure are as follows:

1. A scientific method of grouping the businesses of a multi – business corporation which helps the firm in strategic planning.
2. An improvement over the territorial grouping of businesses and strategic planning based on territorial units.
3. Unrelated products/businesses in any group are separated. If they could be assigned to any other SBU applying the criterion of functional relation, they are assigned; accordingly, otherwise they are made into separate SBUs.
4. Strategic planning for SBU is distinct from rest of businesses. Products/ businesses within an SBU receive same strategic planning treatment and priorities.
5. Each SBU will have its own distinct set of competitors and its own distinct strategy.
6. The CEO of SBU will be responsible for strategic planning for SBU and its profit performance.
7. Products/businesses that are related from the stand point of function are assembled together as a distinct SBU.
8. Grouping the businesses on SBU lines helps in strategic planning by removing the vagueness and confusion.
9. Each SBU is a separate business and will be distinct from one another on the basis of mission, objectives etc.

At the corporate level, the main questions are whether the company wants a group of related business units (SBUs) and, if so, what basis will be used for this decision. The concept of relatedness directly influences choices about diversification, and relatedness can manifest in different ways:

1. SBUs may share similar technologies or offer comparable products or services.
2. SBUs may target similar or different markets. Even if the technology or products differ, the customers might be similar. For instance, frozen food, washing powders, and margarine may have different technologies, but they are all sold through retail operations, and a company like Unilever operates in all these product areas.
3. There may be similarities in other competences that form the competitive advantage of different SBUs. For example, Unilever argues that the marketing skills required for the three product markets are similar.

6. Matrix Structure

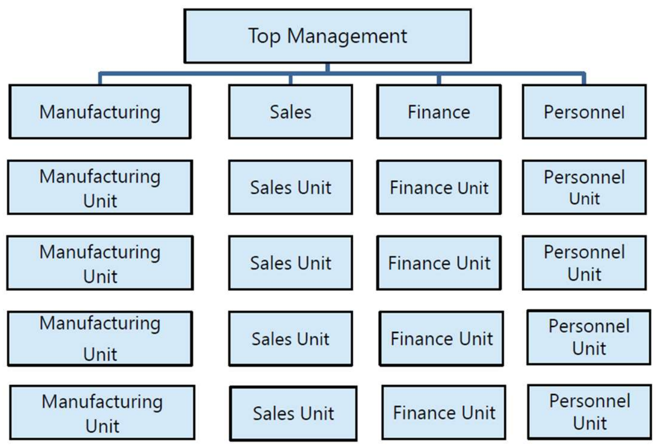


Figure: Matrix Structure

The matrix structure, in contrast, may be very appropriate when organizations conclude that neither functional nor divisional forms, even when combined with horizontal linking mechanisms like strategic business units, are right for the implementation of their strategies.

Key points about the matrix organizational structure:

1. Organizational Structure Options:

- Organizations typically choose between functional and divisional structures for organizing their operations.
- The matrix structure is an alternative when neither functional nor divisional structures, combined with strategic business units, align with the organization's strategies.

2. Matrix Structure Overview:

- In a matrix structure, both functional and product forms operate simultaneously at the same organizational level.
- Employees report to two superiors: a product or project manager and a functional manager.

- Functional departments (e.g., engineering, manufacturing) are usually permanent, while employees may be temporarily assigned to product units or projects.

3. **Complexity of Matrix Structure**:
    - Matrix structures involve both vertical and horizontal flows of authority and communication.
    - Complexity arises due to dual lines of budget authority, dual sources of reward and punishment, shared authority, dual reporting channels, and the need for extensive communication.

4. **Applications and Industries:**
    - Despite complexity, the matrix structure is widely used in industries such as construction, healthcare, research, and defence.
    - Advantages include clear project objectives, multiple communication channels, visible results for workers, and ease of shutting down projects.

5. **Requirements for Effectiveness:**
    - Effective implementation of a matrix structure requires planning, training, clear role understanding, excellent internal communication, and mutual trust.
    - It is commonly used by businesses pursuing strategies that involve adding new products, customer groups, and technology to their activities.

6. **Balancing Stability and Flexibility:**
    - The matrix structure aims to combine the stability of the functional structure with the flexibility of the product form.
    - It is particularly useful in complex and rapidly changing external environments, such as those involving intricate technologies and markets.

7. **Challenges and Conflicts:**
    - Challenges include conflicts over duties, authority, and resource allocation, especially when goals are vague, and technology is poorly understood.
    - Continuous power struggles between product and functional managers may occur in such situations.

The matrix structure is often found in an organization or within an SBU when the following three conditions exists:

1. Ideas need to be cross-fertilised across projects or products,
2. Resources are scarce and
3. Abilities to process information and to make decisions need to be improved.

For development of matrix structure Davis and Lawrence, have proposed three distinct phases:

1. **Cross-functional task forces:** Temporary cross-functional task forces are initially used when a new product line is being introduced. A project manager is in charge as the key horizontal link.

2. **Product/brand management:** If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins. In this arrangement, function is still the primary organizational structure, but product or brand managers act as the integrators of semi-permanent products or brands.

3. **Mature matrix**: The third and final phase of matrix development involves a true dual-authority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager. Functional and product managers have equal authority and must work well together to resolve disagreements over
resources and priorities.

7. Network Structure

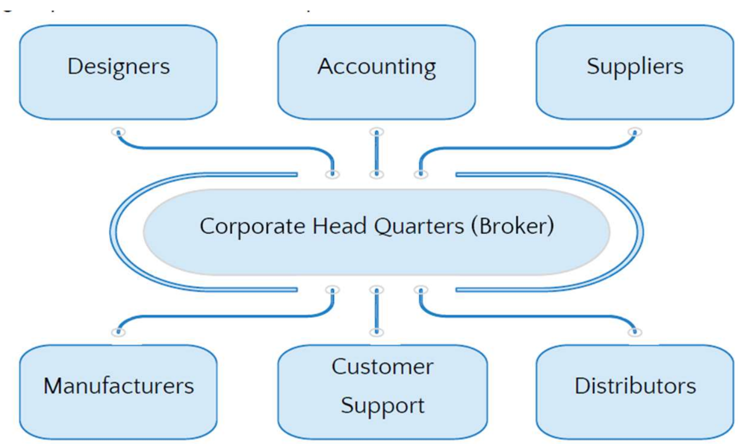


Figure: Network Structure

The network structure could be termed a "non-structure" as it virtually eliminates in-house business functions and outsource many of them. An organization organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so.

Under such conditions, there is usually a strong need for innovation and quick response. Instead of having salaried employees, it may contract with people for a specific project or length of time.

Long-term contracts with suppliers and distributors replace services that the company could provide for itself through vertical integration.

The network structure provides organization with increased flexibility and adaptability to cope with rapid technological change and shifting pattern of international trade and competition.

8. Hourglass Structure

In the recent years information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers in an organisation structure with constricted middle layer. The structure has a short and narrow middle management level.

Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower-level activities.

Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making. Decision making authority is shifted close to the source of information so that it is faster. However, with the reduced size of middle management, the promotion opportunities for the lower levels diminish significantly.

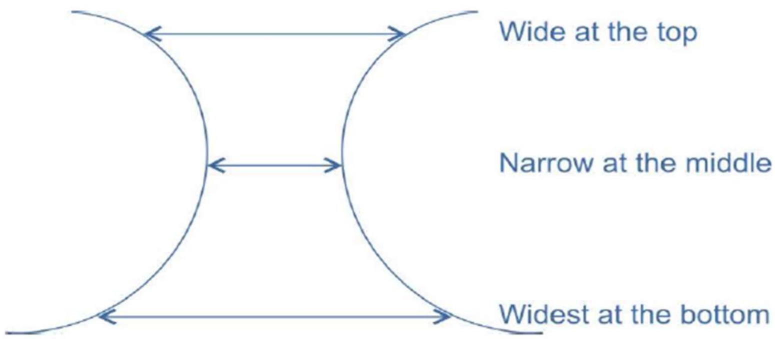


Figure: Hourglass Organisation Structure

Organisation Culture

Corporate culture refers to a company's values, beliefs, business principles, traditions, way of operating and internal work environment. Every corporation has a culture that exerts powerful influences on the behaviour of managers.

Culture as a strength – Culture can facilitate communication, decision making and control and create cooperation and commitment. An organisation's culture could be strong and cohesive when it conducts its business according to clear and explicit set of principles and values. The management devotes considerable time in communicating values & principles to employees and sharing them widely across the organisation.

Culture as a weakness – can obstruct the smooth implementation of strategy by creating resistance to change. An organisation's culture can be characterised as weak when many sub cultures exist, few values and behavioural norms are shared and traditions are rare. In such organisations, employees do not have a sense of commitment, loyalty and a sense of identity.

Changing Problem Culture

Changing problem cultures is very difficult because of deeply held values and habits. It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instil ones that are more strategy-supportive.

1. The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
2. Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.
3. The talk has to be followed swiftly by visible, aggressive actions to modify the culture-actions that everyone will understand are intended to establish a new culture more in tune with the strategy.

Management through communication has to create a shared vision to manage changes. The menu of culture-changing actions includes revising policies and procedures, altering incentive compensation, shifting budgetary allocations for substantial resources to new strategy projects, recruiting and hiring new managers and employees, replacing key executives, communication on need and benefit to employees and so on.

Corporate culture is always identical in all the business organizations?

Incorrect, every company has its own organisational culture. Each has its own business philosophy and principles, its own ways of approaching to the problems and making decisions, its own work climate, work ethics, etc. Therefore, corporate culture is not identical in all organisations. Organisations over a period of time inherit and percolate down its own specific work ethos and approaches.

Role of Corporate Culture in Strategy Execution

- A strong organizational culture plays a crucial role in strategy execution.
- Culture includes values, practices, and behavioural norms.
- Employees are motivated to perform their jobs in a manner that supports the strategy.
- A culture emphasizing creativity, change, and challenging the status quo aids in executing a product innovation and technological leadership strategy.

Strategic Leadership

Strategic leadership sets the firms direction by developing and communicating vision of future, formulate strategies in the light of internal and external environment, brings about changes required to implement strategies and inspire the staff to contribute to strategy execution.

Leadership Role of Manger

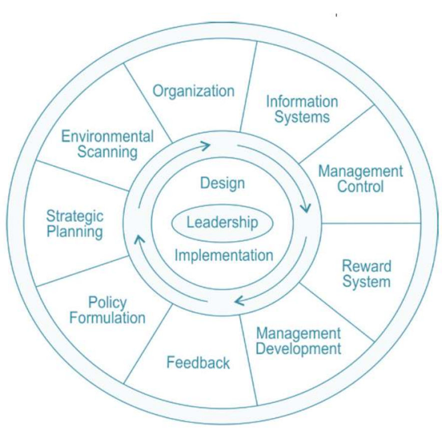
A manager as a strategic leader has many different leadership roles to play: visionary, chief entrepreneur and strategist, chief administrator, culture builder, resource acquirer and allocator, capabilities builder, process integrator, crisis solver, spokesperson, negotiator, motivator, arbitrator, policy maker an so on. Managers have five leadership roles to play in pushing for good strategy execution:

1. Staying on top of what is happening, closely monitoring progress, working through issues and obstacles.
2. Promoting a culture that mobilizes and energizes organizational members to execute strategy and perform at a high level.
3. Keeping the organization responsive to changing conditions, alert for new opportunities and remain ahead of rivals in developing competitively valuable competencies and capabilities.
4. Ethical leadership and insisting that the organization conduct its affairs like a model corporate citizen.
5. Pushing corrective actions to improve strategy execution and overall strategic performance.

Leadership Role in Implementation

Figure: Effective Strategic Leadership

The strategic leaders must be able to use the strategic management process effectively by guiding the company in ways that result in the formation of strategic intent and strategic mission, facilitating the development and implementation of appropriate strategic plans and providing guidance to the employees for achieving strategic goals.



A Strategic leader has several responsibilities, including the following:

1. Making strategic decisions.

2. Formulating policies and action plans to implement strategic decision.
3. Ensuring effective communication in the organisation.
4. Managing human capital (perhaps the most critical of the strategic leader's skills).
5. Managing change in the organisation.
6. Creating and sustaining strong corporate culture.
7. Sustaining high performance over time.

Type of Leadership

Transformational leadership style uses charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leadership style may be appropriate in turbulent environments, in industries at the very start or end of their life-cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes.

Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

Transactional leadership style focuses more on designing systems and controlling the organization's activities and are more likely to be associated with improving the current situation. Transactional leaders try to build on the existing culture and enhance current practices. Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.

Transactional leadership style may be appropriate in static environment, in mature industries, and in organizations that are performing well. The style is better suited in persuading people to work efficiently and run operations smoothly.

Strategic Control

Controlling is one of the important functions of management and is often regarded as the core of the management process. It is a function intended to ensure and make possible the performance of planned activities and to achieve the predetermined goals and results.

The process of control has the following elements:

1. Objectives of the business system which could be operationalized into measurable and controllable standards.
2. A mechanism for monitoring and measuring the performance of the system.
3. A mechanism (i) for comparing the actual results with reference to the standards (ii) for detecting deviations from standards and (iii) for learning new insights on standards themselves.
4. A mechanism for feeding back corrective and adaptive information and instructions to the system, for effecting the desired changes to set right the system to keep it on course.

There are three types of organizational control, viz.,

1. Operational control,
2. Management control and
3. Strategic control.

Operational Control

The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. For example, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole. One of the tests that can be applied to identify operational control areas is that there should be a clear-cut and somewhat measurable relationship between inputs and outputs which could be predetermined or estimated with least uncertainty.

Many of the control systems in organisations are operational and mechanistic in nature. A set of standards, plans and instructions are formulated. The control activity consists of regulating the processes within certain 'tolerances', irrespective of the effects of external conditions on the formulated standards, plans and instructions.

Management Control

When compared with operational control, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organisation, instead or mere narrowly circumscribed activities of sub-units.

The basic purpose of management control is the achievement of enterprise goals – short range and long range – in a most effective and efficient manner.

Strategic Control

Strategic control is the process of evaluating formulated and implemented strategy. It is directed towards identifying changes in the internal and external environments of the organization and making necessary adjustments accordingly.

Strategic Control focuses on the dual questions of whether:

1. The strategy is being implemented as planned; and
2. The results produced by the strategy are those intended.

There are four types of strategic control:

1. **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built. It primarily involves monitoring two types of factors:

    - Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and legal-regulatory.
    - Industry factors such as competitors, suppliers, substitutes.

    It is neither feasible nor desirable to control all types of premises in the same manner. Different premises may require different amount of control. Thus, managers are required to select those premises that are likely to change and would severely impact the functioning of the organization and its strategy.

2. **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.

3. **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.

4. **Implementation control:** managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and result.

Strategic implementation control is **not a replacement to operational control**. Unlike operational control, it continuously monitors the basic direction of the strategy. The two basic forms of implementation control are:

1. **Monitoring strategic thrusts:** Monitoring strategic thrusts helps managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
2. **Milestone Reviews:** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

Difference between Operational and Management Control

Differences between Operational Control and Management Control are as under:

1. The thrust of **operational control** is on individual tasks or transactions as against total or more aggregative management functions. When compared with operational, **management control** is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organization, instead or mere narrowly circumscribed activities of sub-units. For example, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.
2. Many of the control systems in organizations are **operational** and mechanistic in nature. A set of standards, plans and instructions are formulated. On the other hand, the basic purpose of **management control** is the achievement of enterprise goals – short range and long range –in an effective and efficient manner.

Strategic Performance Measures

1. SPM is a method that increases line executives' understanding of an organization's strategic goals and offers a continuous system for tracking progress towards these objectives using clear-cut performance measurements.

2. SPM helps to eliminate silos by establishing a common language among all divisions of the organisation so they may communicate openly and productively.
3. Strategic performance measures are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation.
4. Key performance measures and indicators must be created, selected, combined into reports and acted upon so that strategy implementation can have tangible outcomes.
    - Firstly, there needs to be a clear cause and effect relationship between the indicators and strategic outcomes.
    - Secondly, KPIs need to be carefully chosen because they will influence the behaviour of people within the organisation.

Managing the political aspects of implementing a strategy:

People involved in the planning process for the implementation of a strategy may be affected by two sets of forces:

The "rational" forces of openness, communication, and self-analysis can exist on the one hand.

On the other hand, there could be political forces concerned with preserving empires and fostering internal rivalry that urge knowledge retention, selective communication, and caution. When these two techniques conflict, the politically acceptable aspects may end up in the explicit strategy while the sensitive elements may form an unspoken plan that contains the implicit strategy.

Types of Strategic Performance Measures

There are various types of strategic performance measures, including:

1. **Financial Measures**: Financial measures, such as revenue growth, return on investment (ROI), and profit margins, provide an understanding of the organization's financial performance and its ability to generate profit.
2. **Customer Satisfaction Measures:** Customer measures, such as customer satisfaction, customer retention, and customer loyalty, provide insight into the organization's ability to meet customer needs and provide high-quality products and services.
3. **Market Measures**: Market measures, such as market share, customer acquisition, and customer referrals, provide information about the organization's competitiveness in the marketplace and its ability to attract and retain customers.
4. **Employee Measures**: Employee measures, such as employee satisfaction, turnover rate, and employee engagement, provide insight into the organization's ability to attract and retain talented employees and create a positive work environment.
5. **Innovation Measures:** Innovation measures, such as research and development (R&D) spending, patent applications, and new product launches, provide insight into the organization's ability to innovate and create new products and services that meet customer needs.
6. **Environmental Measures**: Environmental measures, such as energy consumption, waste reduction, and carbon emissions, provide insight into the organization's impact on the environment and its efforts to operate in a sustainable manner.

The Importance of Strategic Performance Measures

Strategic performance measures are essential for organizations for several reasons:

1. **Goal Alignment:** Strategic performance measures help organizations align their strategies with their goals and objectives, ensuring that they are on track to achieve their desired outcomes.
2. **Resource Allocation:** Strategic performance measures provide organizations with the information they need to make informed decisions about resource allocation, enabling them to prioritize their efforts and allocate resources to the areas that will have the greatest impact on their performance.
3. **Continuous Improvement:** Strategic performance measures provide organizations with a framework for continuous improvement, enabling them to track their progress and make adjustments to improve their performance over time.
4. **External Accountability:** Strategic performance measures help organizations demonstrate accountability to stakeholders, including shareholders, customers, and regulatory bodies, by providing a clear and transparent picture of their performance.

Choosing the Right Strategic Performance Measures

Organizations should choose strategic performance measures that are aligned with their goals and objectives and that provide relevant and actionable information. In selecting the right measures, organizations should consider the following factors:

1. **Relevance:** The measure should be relevant to the organization's goals and objectives and provide information that is actionable and meaningful.
2. **Data Availability:** The measure should be based on data that is readily available and can be collected and analysed in a timely manner.
3. **Data Quality:** The measure should be based on high-quality data that is accurate and reliable.
4. **Data Timeliness:** The measure should be based on data that is current and up-to-date, enabling organizations to make informed decisions in a timely manner.