

Chapter 5 – Strategy, implementation, and Evaluation

Strategic Management Model

- Framework for studying and applying strategic management.
- This model does not guarantee sure-shot success
- Strategists do not go through the process in lockstep fashion.

Stages in Strategic Management

Strategic management involves the following stages:

Stage 1: Strategic Vision, Mission and Objectives

- ORG. must determine what directional path it should take and what change would improve its current market position and future prospects.
- In this stage ORG. should decide its strategic intent, vision, mission and objectives

Stage 2: Environmental and Organisational Analysis

- Diagnostic phase
- Environmental Scanning
- ORG.al Analysis
- This would reveal organisational strengths and weaknesses which could be matched with the threats and opportunities in the external environment.

Stage 3: Formulating Strategy

- Develop strategic alternatives based on strengths, weaknesses, opportunities, and threats.
- Analyse alternatives to choose the most appropriate strategy.
- Alternatives include
 - Continue in same business with same volume
 - Grow by expanding units, setting new ones, or acquiring others
 - Diversify into related or unrelated areas
 - Exit business fully or partially

Stage 4: Implementation of Strategy

Operations-oriented, most demanding and time-consuming part of the strategic-management process. Convert strategic plans into actions.

Key aspects

- Develop budgets for critical activities
- Staffing with needed skills, build competencies and capabilities, organize work
- Ensure policies and procedures support execution.
- Install information and operating systems for strategic roles
- Motivate people toward objectives
- Build culture and climate for successful implementation
- Provide leadership for ongoing improvement

Stage 5: Strategic Evaluation and Control

- Evaluate performance, assess impact of external development, and make corrective adjustments.
- Fine-tuning and improving execution may be enough, but disruptive changes require rethinking direction and strategy.

Question – Describe the principal aspects of strategy-execution process, which are included in most situations. – (SA, May 2018, 5 Marks) (MTP1, Nov 2022, 5 Marks) (MTP2, Sep 2024, 5 Marks) (Model test paper 5, May 2025, 5 marks) (RTP, Sep 2025, NA)

Strategy Formulation

Strategic Planning

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.

Difference between Strategic and Operational planning

Strategic Planning	Operational planning
<u>Shapes</u> the organisation and its resources.	deals with current <u>deployment</u> of resources.
Assesses the impact of <u>environmental variables</u> .	develops <u>tactics</u> rather than strategy.
takes a <u>holistic</u> view of the organisation.	projects <u>current operations</u> into the future.
develops <u>overall objectives</u> and <u>strategies</u> .	makes <u>modifications</u> to the business functions but not fundamental changes.
is concerned with the <u>long-term</u> success of the organisation.	is concerned with the <u>short-term</u> success of the organisation.
Is a <u>senior</u> management responsibility.	is the responsibility of <u>functional</u> managers.

Question - Differentiate between Strategic Planning and Operational Planning. –(RTP, May 2022, NA) (MTP2, Nov 2023, NA)(MTP1, Jan 2025, 5 marks)(RTP ,May 2025,NA) (Model test paper 6,May 2025, 5 marks)

Question - Strategic planning is an important constituent of strategic management. In the light of the same explain the meaning of strategic planning. Also outline the characteristics of strategic planning. –(SA, May 2023, 5 Marks)

Strategic uncertainty

Strategic uncertainty refers to the **unpredictability of future events** affecting an ORG.'s strategy and goals, driven by market, technology, competition, regulation, and other external factors. To manage it, uncertainties are grouped into clusters and assessed for importance to prioritize information gathering.

Antivirus - A car company groups uncertainties like electric vehicle regulation, fuel norms, and emission standards into a "Regulatory Cluster"

To manage strategic uncertainties, ORG.s must adopt proactive strategies:

- Flexibility: Build flexible strategies to adapt quickly to change.
- Diversification: Broaden product portfolio, markets, and customer base to reduce impact.
- Monitoring and Scenario Planning: Monitor key indicators and conduct scenario planning to prepare for future possibilities.
- Building Resilience: Strengthen operational processes, increase financial flexibility, and enhance risk management.
- Collaboration and Partnerships: Work with ORG.s, suppliers, customers, and partners to share resources, risk, and gain market access.

Question - Explain how ORG.s can effectively manage strategic uncertainties in a rapidly changing business environment. –(SA, May 2024, 5 Marks)

Impact of Strategic Uncertainty on Business

- Strategic uncertainty can affect current, proposed, and potential business activities
- Impact varies based on each Strategic Business Unit's (SBU) significance to the firm

- Importance often measured by sales, profits, or costs, but potential growth should also be considered for a comprehensive understanding of value

Antivirus -

1. The electric vehicle trend forces a traditional carmaker to revise its current petrol models, delay upcoming diesel launches, and invest heavily in EV R&D.
2. A pharma firm's cancer drug division contributes 60% of revenue—any change in healthcare regulations poses high risk to the firm.
3. A startup SBU in renewable energy has low current sales but massive future potential—making it strategically valuable despite low profits now.

Strategy Implementation

Meaning of Strategy implementation

- Strategy implementation concerns the **managerial exercise** of putting a freshly chosen strategy, decisions into **action**.
- Allocation of **resources** as per the new course of action
- Adapting the organisation's **structure** to handle the new activities.
- **Training** personnel and devising appropriate systems.
- A company will be successful only when the strategy **formulation** is **sound** and the **implementation** is **excellent**.

Difference between strategy formulation and strategy implementation

Strategy formulation	Strategy implementation
Includes planning and decision -making involved in developing an ORG.'s strategic goals and plans.	Involves all those means related to executing the strategic plans.
placing the forces before the action .	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 a 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,	Requires specific motivational and leadership traits .

<i>conceptual intuitive and analytical skills.</i>	
Strategic Formulation <i>precedes</i> Strategy Implementation.	Strategy Implementation <i>follows</i> Strategy Formulation.

Question - Distinguish between Strategy Formulation and Strategy Implementation.-(MTP1, May 2021, 5 Marks) (MTP1, Nov 2021, 5 Marks) (MTP1, May 2023, 5 Marks) (MTP2, May 2025, 5 Marks)

Linkage between Strategic Formulation and Implementation

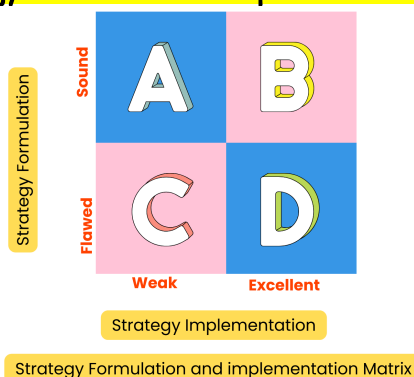
- The strategy formulation and strategy implementation are intertwined and linked with each other. Two types of linkages exist between these two phases of strategic management
- Forward Linkages:** These show the effect of *formulation* on *implementation*. New or revised strategies set the ORG.'s direction.
- Backward Linkages:** These show how *implementation* affects *formulation*. During execution, *feedback* and past actions can influence future *strategic decisions*.

Antivirus

- A company decides to go digital—first (formulation) → Marketing, sales, and operations shift online (implementation).
- A new product fails in one region due to local preferences → Company updates strategy to include regional customization.

Question - Explain the concept of forward and backward linkages between strategy formulation and implementation in strategic management, using relevant examples. How do these linkages impact the overall strategic decision-making process of an ORG.?-(MTP2, May 2024, 5 Marks) (Model Test Paper 2, May 2025, 5 Marks)

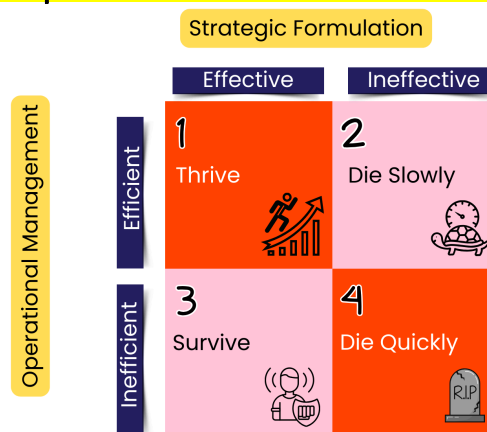
Strategy formulation and Implementation Matrix



ORG.al success depends on sound strategy formulation and excellent implementation.

- Square A: Strong strategy formulation, but poor implementation due to lack of experience, resources, or leadership. The goal is to move to Square B.
- Square B: Ideal case—good strategy and successful implementation.
- Square D: Poor strategy formulation, but strong implementation. The company must redesign its strategy first.
- Square C: Weak strategy formulation and poor implementation. The path to success is through business model redesign and implementation readjustment.

Principal Combination of Effectiveness and Efficiency



Principal Combination of efficiency & effectiveness

- An ORG. in cell 1 thrives with high effectiveness and efficiency.
- Cell 2 or 4 is risky without clear strategic direction.
- Cell 2 is worse than cell 3, where effectiveness exists despite low efficiency.
- Effectiveness means doing the right thing, efficiency means doing it the right way.

Antivirus - A restaurant opens a new branch in a busy office area where there's high demand for quick, healthy meals (right goal = effectiveness). It uses a cloud kitchen model, limited menu, and digital ordering system to reduce rent, wastage, and manpower costs (smart execution = efficiency).

Question - Merako Appliances recently automated its assembly line to produce kitchen gadgets faster and at lower cost, improving operational efficiency. However, customer feedback shows that the new products don't meet market needs, leading to declining sales. This has sparked an internal debate on balancing efficiency (doing things right) with effectiveness (doing the right things). How should Merako balance efficiency and effectiveness to achieve sustainable success? Also, describe the four possible

situations a business can face when comparing levels of efficiency and effectiveness.-(RTP,Sep 2025,NA)

Issues in Strategy Implementation

Management issues central to strategy implementation include

- O -Establishing annual objectives,
- P - Devising policies,
- R - allocating resources,
- S -altering an existing ORG.al Structure,
- R - Restructuring and reengineering,
- I - revising reward and incentive plans,
- Change - minimizing resistance to change,
- Culture - developing a strategy supportive culture,
- Processes - Adapting production/operations processes,
- HR - developing an effective human resource system and,
- Downsizing - if necessary, downsizing.

Strategy Implementation (Read it yourself)

- Strategy Activation: Convert strategies into actionable steps.
- Plans Development: Evolve strategies into detailed plans with clear milestones.
- Program Creation: Formulate programmes outlining specific goals and procedures.
- Projects Formulation: Develop time-bound projects with allocated budgets for operational infrastructure.
- ORG.al Structure: Design effective structure, install systems, and set functional policies.
- Implementation Steps: Include project, procedural, resource, structural, functional, and behavioral aspects.
- Inclusive Participation: Involve divisional and functional managers in strategy formulation and strategists in implementation.
- Strategic-Operational Integration: Blend strategic goals with practical operational execution for success.

Strategic Change

Meaning of Strategic Change

Strategic Change

- Changing the existing strategies
- and bringing out new strategies
- because of environmental changes
- is called strategic change.

Strategic change is a complex process and it involves a corporate strategy focused on

- new markets,
- products,
- services and
- new ways of doing business.

Steps for Initiating Change

For initiating strategic change, three steps can be identified as under

- Recognize the need for change - Diagnose which parts of corporate culture are strategy supportive. Do environmental scanning, appraise internal and external capabilities through SWOT analysis, identify problems, and determine scope for change.
- Create a shared vision to manage change - Objectives and vision of individuals and ORG.s must align. Shared vision helps avoid conflict - Strategy implementers must show that cultural change is serious, not superficial, and reflect management's commitment to new strategic initiatives.
- Institutionalize the change - This action stage involves implementation of changed strategy, building a positive attitude toward change. Regularly monitor, review, and analyze the after-effects. Address any discrepancy or deviation properly.

Kurt Lewin model of Change

To make the change lasting, Kurt Lewin proposed 3 phases of the change process for moving the ORG. from the present to the future. These stages are unfreezing, changing and refreezing.

Unfreezing the situation

- Awareness for Necessity for change
- Prepare them for change
- Should Not come as a surprise
- If came as surprise - Socially destructive, Morale Lowering
- Make Announcements, Hold Meetings, Promote idea

Changing to New situation

After unfreezing, members recognize the need for change and are ready to accept it. Their behavior patterns must be redefined using three methods by H.C. Kellman

- Compliance – Change through reward and punishment for behavior.
- Identification – Members adopt the behavior of admired role models.
- Internalization – Change in thought processes with freedom to learn new behavior.

Antivirus

1. *Employees start coming on time because latecomers are fined and punctuality is rewarded.*
2. *A junior team member starts using a structured presentation style like the respected team leader.*
3. *An employee genuinely embraces sustainability after understanding its long-term impact, not just because the company promotes it*

Refreezing

- New behavior becomes normal and replaces the old.
- It must be reinforced to stay permanent.
- Change is continuous due to a dynamic environment.
- The process of unfreezing, changing, and refreezing is cyclical and ongoing.
- The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.

Question – What is strategic change? Explain the change process proposed by Kurt Lewin that can be useful in implementing strategies. –(ICAI Study Material)

Question – Connect Group was one of the leading makers of the mobile handsets till a few years ago and which went at the bottom of the heap. Connect Group didn't adapt to the current market trends which eventually lead to its downfall. Which would have helped Connect Group to change, adapt and survive? Explain the steps to initiate the change. –(RTP, Nov 2021, NA) (MTP 1, Jan 2025, 5 marks) (Model test paper 6, May 2025, 5 marks)

Digital transformation

Digital transformation uses digital technologies to improve procedures, goods, or services. Change management helps plan, prepare, and execute changes, overcome challenges, and maximise investment returns.

Change Management Strategies for Digital Transformation

- Begin at the top: Leadership must be united, focused, and promote change.
- Ensure change is necessary and desired: Unplanned or fast change without strategy can cause issues.
- Reduce disruption
 - Communicate the transition early and set expectations.
 - Provide proper training and resources to help employees adapt.
 - Empower change agents (team leaders, project managers) to guide employees through the process.
- Encourage communication: Allow queries, promote collaboration, and ensure everyone is aligned.
- Recognizing change is the norm: ORG.s must be ready, proactive, and view change as a continuous process.

General principles/strategies for managing change during digital transformation. It gives broad strategic practices to manage change in small and medium-sized businesses.

Question – Nexora Innovations, a mid-sized IT services firm, decided to implement a cloud-based project management system to enhance collaboration and streamline operations. However, many employees resisted the shift, fearing job redundancies and struggling to adapt to the new system. Despite initial communication, productivity dipped, and frustration grew among staff. What key change management strategies should Nexora Innovations adopt to ensure a smooth digital transformation and minimize disruption? –(MTP2, May 2025, 5 Marks)

How to manage change during digital transformation?

Change management is essential during digital transformation to ensure the success of the process.

- Specify the digital transformation's aims and objectives
 - Clarify digital transformation outcomes and objectives.
- Always, always, always communicate
 - Regularly share transformation goals and impacts.
- Be ready for resistance
 - Prepare for and strategize against resistance.
- Implement changes gradually
 - Roll out changes in phases to ease adjustment.
- Offer assistance and training
 - Provide necessary training on new systems and processes.

These are Tactical steps during the actual process of implementing change. More of a step-by-step guide for handling change during a real digital transformation.

Antivirus

1. A retail chain clearly defines that it wants to shift 60% of its sales to online platforms within one year.
2. The CEO sends monthly emails explaining what's changing, why, and how it impacts each department.
3. Older employees hesitant to use new inventory software are identified early, and feedback sessions are held to address concerns.
4. An organization introduces the new CRM system in one region first before rolling it out nationally.
5. Employees receive hands-on workshops and video tutorials on how to use the new HR portal.

DQ – Why is change management crucial during digital transformation, and what are some key strategies for navigating change effectively? – (RTP, May 2024, SA) (Model test paper 3, May 2025, 5 marks)

Organisational Framework

McKinsey 7S Model

The McKinsey 7S Model analyzes a company's ORG.al design and shows how effectiveness is achieved through the interaction of Hard and Soft elements.

Antivirus – The McKinsey 7S Model was created as a response to the growing realization that structure and strategy alone are not enough. Effective organizations must align both hard and soft elements to drive performance and adaptability in a dynamic business environment.

Hard elements (controlled by management):

- **Strategy:** ORG.al direction to build core competency and gain competitive advantage.
- **Structure:** Chosen based on resources and desired centralization or decentralization.
- **Systems:** Execution of tasks, operations, and goals efficiently.

Soft elements (culture-driven):

- **Shared Values:** Core values seen in culture and ethics.
- **Style: Leadership style,** its impact on strategy, motivation, and goal delivery.
- **Staff:** The ORG.'s talent pool.
- **Skills:** Employees' core competencies crucial for success.

Limitations

- Ignores external environment
- Does not clearly define ORG.al effectiveness
- The model is considered to be more static and less flexible for decision making.
- Misses the gaps in strategy conceptualization and execution.

Question – BOYA Ltd. is a venture in the market present for a decade. Till, 2023, it was working on the values and vision of its founder while operating in limited area of operations.

Growth opportunities exist for BOYA Ltd. Considering the changing environment, company is interested to leverage new skills in marketing, technology, product development and financial management. As a known fact, modifying one aspect might have a ripple effect on other elements. The company wants to understand various hard and soft elements interrelated with each other in the company and having a bearing on effective operational results.

As a strategist, you intend to prepare a questionnaire based on both types of elements by analyzing the ORG.al design. The response to the same will help in finding an answer to ensure effectiveness through the interaction of such elements. Briefly discuss the strategic model you will use in the given situation. State the limitations of the model as well. – (SA, May 2024, 5 Marks) (RTP, Jan 2025, NA)

ORG. Structure

Antivirus – What is Organisational Structure?

It is how a company arranges people and jobs to perform work and meet goals efficiently. It's a blueprint of how all parts fit together.

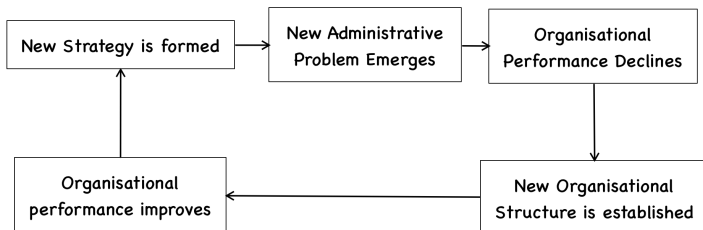
Example: A small bakery may have a simple structure: Owner manages products, finances, and suppliers. The head baker ensures quality. Sales staff serve customers and handle transactions.

ORG. Structure Basics

- **Purpose:** Defines how tasks allocation, coordination, and supervision are aimed at ORG.al goals.
- **Strategy-Structure Match:** Creates competitive advantage.
- **Strategic Leadership:** Develops superior structure and controls compared to competitors.

Structure and Strategy Relationship

- Changes in Strategy: Often necessitate organisational structural adjustments.
- Reasons:
 - Objective and Policy Formation: Structure influences how these are established.
 - Resource Allocation: Dictated by the ORG.al structure.
- Examples:
 - A firm expanding into international markets may create regional divisions (like Asia, Europe, etc.) to allocate resources and budgets region-wise.
 - A company shifting from product-based to customer-centric strategy may create a new Customer Experience Department to focus on service-related policies.
- Strategic Implications:
 - Structure Follows Strategy: Designed to support strategic goals.
 - Adapting Structure: Essential for new activities, resource allocation, training, and system development.
 - Strategy Influence: Structure can also shape strategy.



Chandler's Strategy-Structure Relationship

Antivirus - A company's structure can influence future strategy. if a part of the organisation performs well, the company may build its strategy around it. Example:

- *A city-based coffee shop chain, with independent local managers who understand their areas, sees success.*
- *Impact on Strategy - The company chooses to grow by opening more neighbourhood-specific shops instead of using a standardised model.*
- *The success of the regional structure and local autonomy drives the strategy, showing that sometimes structure influences strategy, not the other way around.*

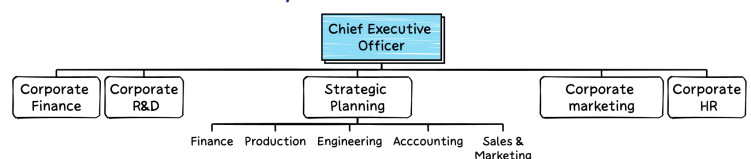
Simple Structure

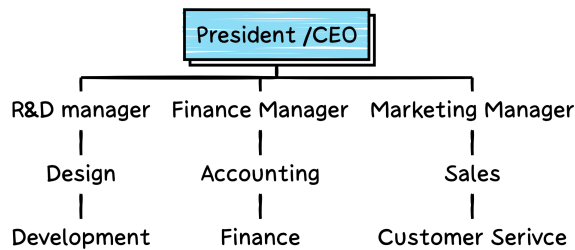
- Simple ORG.al structure is most appropriate for companies that follow

- a **single-business strategy** and
- offer a line of products
- in a **single geographic** market.
- Appropriate for companies implementing
 - **focused cost** leadership or
 - **focused differentiation** strategies.
- The owner-manager makes major decisions and monitors activities; staff act as executors.
- Some key features/Characteristics
 - **Little specialization** of tasks,
 - Few **rules**,
 - little **formalization**,
 - **unsophisticated information systems** and
 - **direct involvement** of **owner-manager** in all phases of day-to-day operations
- Communication is direct and frequent, enabling faster product introduction and possible competitive advantage, with fewer coordination problems.
- If small companies grow, they outgrow the simple structure and should shift to a functional structure for complex ORG.al functions.

Functional Structure

- The functional structure consists of a chief executive officer or a managing director and limited corporate staff with functional line managers in dominant functions such as production, accounting, marketing, R&D, engineering, and human resources.
- A functional structure groups tasks and activities by business function.
- Functional structure is widely used because of its simplicity and **low cost**.
- Disadvantages of a functional structure are that it **forces accountability** to the top, minimises career development opportunities, etc.
- Most large companies abandoned the functional structure in favor of decentralization and improved accountability. (Difficult to add new products)





Question - What do you understand by functional structure?-(MTP1, May 2022, 5 Marks)

Question - Manoj started his telecom business in 2010. Over the next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after sales service, and coordinate with vendors. Draw the ORG. structure Manoj should implement in his ORG. and name it. -(SA, Nov 2018, 5 Marks) (ICAI Study Material)

Divisional Structure

- The divisional structure can be organized in one of the 4 ways:
 - by **geographic** area,
 - by **product** or service,
 - by **customer** or
 - by **process**
- Functional activities are performed both centrally and in each division separately
- Widely used when an ORG. offers only a few products or services, when an ORG.'s products or services differ substantially
- A major difference between functional and divisional structure is that functional departments are not accountable for profits.

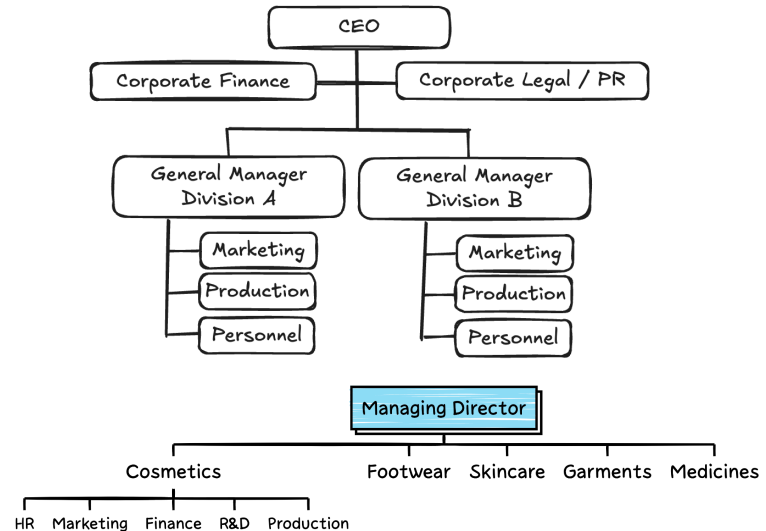
Advantages of Divisional Structure

Accountability is clear as divisional managers are responsible for sales and profit. With delegation of authority, performance results are visible, boosting morale. Other advantages:

- Offers **career development**
- Enables **local control** of local situation.
- Encourages **competitive climate**
- Allows easy addition of **new businesses** and **products**

Disadvantages of Divisional Structure

- Higher cost due to the need for qualified functional specialists at divisions and headquarters, and a headquarters-driven control system.
- Conflicts between divisional managers may arise from special treatment of certain regions, products, or customers, affecting consistency.

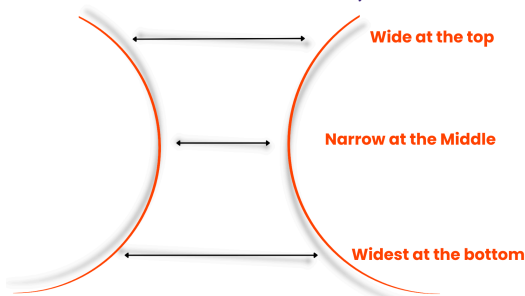


Question - Draw 'Divisional Structure' with the help of a diagram. Also, give advantages and disadvantages of this structure in brief.-(SA, Nov 2020, 5 Marks) (ICAI Study Material)

Hourglass Structure

- Information technology and communications have significantly altered the functioning of ORG.s.
- The role played by **middle management** is **diminishing** as the tasks performed by them are increasingly being replaced by technological tools.
- Hourglass ORG. structure consists of three layers with a constricted middle layer.
- The structure has a short and narrow middle-management level.
- Information technology links the top and bottom levels in the ORG. taking away many tasks that are performed by the middle level managers.
- Unlike traditional middle level managers who are specialists, hourglass structure managers are generalists handling cross-functional issues like marketing, finance, or production.
- 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.
- With reduced middle management, promotion opportunities for lower levels decrease. Staying at the same level may cause monotony, lack of interest, and low motivation. ORG.s address this by assigning challenging tasks, lateral transfers, and performance rewards.

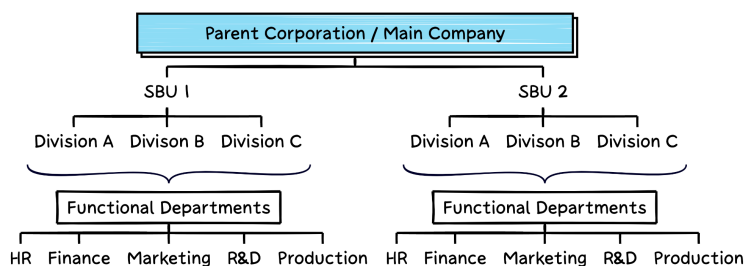


Question – What is an Hourglass structure? How is it beneficial for an ORG.?–(ICAI Study Material)

Strategic Business Unit (SBU) Structure

- The concept is relevant to multi-product, multi-business enterprises.
- An SBU is a grouping of related businesses.
- The purpose is to provide effective strategic planning.

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.



Attributes and Benefits of SBU Structure:

- Strategic planning for each SBU is distinct; products/businesses within an SBU get the same treatment and priorities.
- Each SBU has its own competitors and strategy.
- SBU CEO is responsible for strategic planning and profit performance.
- Related products/ businesses are grouped into one SBU.

- Unrelated products/businesses are separated into different SBUs.
- Grouping by SBU removes vagueness and helps in strategic planning.
- Each SBU is a separate business, distinct in mission, objectives, etc.

Benefits of SBU are

- Establishing coordination between divisions having common strategic interests.
- Facilitates strategic management and control on large and diverse organizations.
- Fixes accountabilities at the level of distinct business units.
- Helps allocate corporate resources to areas with greatest growth opportunities.
- Makes the task of strategic review by top executives more objective and more effective.
- Allows strategic planning to be done at the most relevant level within the total enterprise.

Question –How the 'Strategic Business Unit (SBU)', structure becomes imperative in an ORG. with increase in number, size and diversity of divisions? –(RTP, May 2022, NA) (MTP2, Jan 2025, 5 Marks) (Model test paper 7, May 2025, 5 marks)

Question – A chennai based fast moving consumer goods (FMCG) major CDE Ltd. recently announced restructuring its business. The company indicated that the business would be split into mainly four different streams– FMCG, E-commerce, Retail and Research and development. The company management has decided that these four units will operate as separate businesses. The top corporate officer shall delegate responsibility for day to day operations and business unit strategy to the concerned managers.

Identify the ORG. structure that CDE Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this ORG. structure. –(SA, Dec 2021, 5 Marks) (MTP2, May 2024, 5 Marks) (RTP, Sep 2024, NA) (ICAI Study material.) (Model Test Paper 2, May 2025, 5 Marks) (Model test paper 8, May 2025, 5 marks) (MTP 1, May 2025, 5 Marks)

Network Structure

- Radical organisational design
- Also termed as "Non-Structure"
- Elimination of in-house function of business
- Organisations following this type of structure can be termed as VIRTUAL ORGANISATIONS

- Used when → Environment is unstable → There is need for innovation & quicker response
- Provides flexibility / adaptability to cope up change in business environment (**Technological competition, global trends**)
- Instead of salaried employee, Org enter into contracts for specific projects
- The contract replaces the in-house function
- Example: **Nike, Reebok** etc. uses **Network Structure** by subcontracting **Mfg** to other Co's at low cost

Network structure has disadvantages:

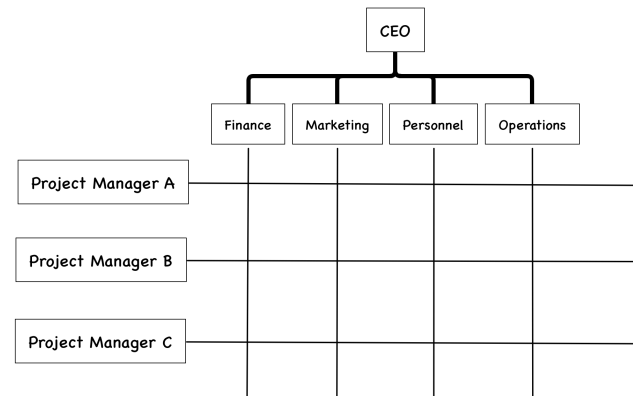
- Too many potential partners can cause problems.
- Co-ordination among business partners is a major issue for management.
- Employees may lack confidence to engage in organisation-sponsored learning

Question – M/s. MTS Ltd, is one of the mobile telephone service providers in India. It has its own mobile network, towers and distribution channels. It operates through its team of network operation, technicians, marketing, sales and after sales services. Currently all the team members are on its roll. The company knows that the market is densely competitive. The environment is quite unstable and likely to remain so. Customer's tastes and preferences are changing very fast. There is a strong need for innovation and quick response. While eliminating in-house business functions, the company is considering outsourcing major activities and focusing on its core competencies. In the given situation identify the ORG.al structure suitable for the company. Also outline the merits and demerits in going for the identified structure. – (SA, Sep 24, 5 marks)

Matrix Structure

- Matrix Structure combines functional and product forms at the same level.
- Employees report to both a product/project manager and a functional manager.
- The home department (e.g., engineering, manufacturing, marketing) is functional and permanent, while product units/projects are temporary and act like divisions.
- It is suitable when neither functional nor divisional structures, even with strategic business units, support strategy well.
- Matrix structure offers the stability of functional and flexibility of product form, useful in complex, changing technological and market environments.

- Common in construction, healthcare, research, defense, and for ORG.s with multiple projects needing people for limited periods.



3 Conditions for Matrix Structure to be used / Found

1. Ideas need to be cross-utilised across project
2. Resources are scarce
3. Abilities to process information & to make decision needs to be improved (*Fast Decision Making*)

Question – ABC group of companies has five projects at different geographical locations. Each project is managed by a dedicated project manager. A Chief Executive Officer (CEO) is supported by a team of subject matter experts (SMEs) in each function at corporate level of the company. As an accepted practice, the authority and communication flow vertically and horizontally in the company. There are five common functions i.e. finance, human resource, operations, marketing and information technology facilitating each project. Each functional manager is having administrative relationship with respective project manager and functional relationship with related SME with a clear mutual understanding of his or her roles and responsibilities.

Identify and explain the ORG.al structure best suited in the above scenario. State the advantages and disadvantages of the above structure. – (SA, Jan 2025, 5 Marks)

Davis and Lawrence Three Phase Development

Davis and Lawrence Three Phase Development of matrix structure:

1. Cross-functional task forces: Temporary teams used for new product lines, led by a project manager as the key horizontal link.
2. Product/brand management: Task forces become semi-permanent. The project manager becomes product/brand manager. Function remains primary, but product/brand managers integrate semi-permanent products/brands.

3. Mature matrix: True dual-authority structure where both functional and product structures are permanent. Employees report to both a functional superior and a product manager. Both have equal authority and must cooperate.

However, matrix structure is not very popular due to implementation and management difficulties.

Question – Davis and Lawrence have proposed three distinct phases to develop matrix structure. Explain. –(RTP, Nov 2018, NA)

Multidivisional Structure

Multidivisional (M-form) structure consists of operating divisions, each a separate business, where the top corporate officer delegates day-to-day operations and business unit strategy to division managers. The corporate office handles overall corporate strategy using strategic and financial controls.

Developed in the 1920s, it addressed coordination and control problems in large firms. Functional departments struggled with multiple product lines, cost allocation, and resource distribution, leading top managers to focus on short-run issues and neglect long-term strategy.

Multidivisional structure includes:

- Creating separate divisions, each for a distinct business
- Each division with its functional hierarchy
- Division managers handling daily operations
- A small corporate office for long-term strategy and financial control of semi-autonomous divisions

Question – Bunch Pvt Ltd is dealing in multiproduct like electronics and FMCG and are having outlets in different cities and markets across India. Due to scale of operation, it is having technical difficulty in dealing with distinct product lines and markets, especially in coordination and control related problems. Identify and suggest an ideal ORG.al structure for Bunch Pvt Ltd in resolving the problem?–(RTP, Nov 2021, NA) (MTP1, May 2023, 5 Marks)

ORG. Culture

Meaning of Corporate 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.

Role of Culture in Strategy Execution

Strong culture supports strategy execution when aligned and hinders it when misaligned. Examples:

- Frugality aids low-cost leadership strategy.
- Creativity fits innovation strategy.
- Customer focus and employee empowerment support customer value strategy.

Such culture guides behaviour through informal rules, enhances motivation, and shapes work habits and cooperation.

It promotes identification with vision and strategy, and drives enthusiastic, collaborative execution.

Question – Orion Tech Solutions Pvt. Ltd. is renowned for its ability to launch groundbreaking software products. Despite the relaxed and casual work environment at Orion, there is a strong commitment to meeting deadlines. Employees at Orion believe in the "work hard, play hard" ethic. The company has shifted from a formal, hierarchical structure to a more results-oriented approach. Employees are deeply committed to the company's strategies and work diligently to achieve them. They safeguard innovations and maintain strict confidentiality and secrecy in their operations. Their work culture is closely aligned with the ORG.'s values, practices, and norms.

What aspects of an ORG. are being discussed? Explain.–(MTP2, Sep 2024, 5 Marks) (Model test paper 5, May 2025, 5 marks) (RTP, Nov 2019, NA)(MTP2, Jan 2025, 5 Marks) (Model test paper 7, May 2025, 5 marks)

Perils of Strategy-Culture Conflict

- When culture is not aligned with strategic success, it must be changed quickly.
- Usually, mismatched cultural features are changed, not the strategy.
- Deep cultural mismatch delays strategy implementation.
- Prolonged strategy-culture conflict weakens managerial efforts.

Creating a strong fit between strategy and culture:

- Strategy makers must select strategy compatible with sacred parts of corporate culture.
- Strategy implementers must change cultural facets that hinder execution.

Changing a problem culture

- Very Difficult (due to deeply held values & habits)

- Requires Concerted Management Efforts over a period of time
- Step 1 - Diagnose - Identify strategy-supportive and non-supportive parts of the existing culture
- Step 2 - Talk Openly - Communicate clearly about the parts of the culture that need to be changed
- Step 3 - Follow the Talk with Visible, Aggressive Action
- Create Shared Vision
- Activities Involved
 - Revising Policies & Procedures
 - Altering Incentives (to reward desired behaviour)
 - Changing Behaviour (through visible recognition and praise)
 - Hiring New People (with desired cultural values)
 - Replacing Old Executives (tied to the old culture)

Strategic Leadership

- Strategic leadership
 - sets the firm's 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 word is used to address
 - The group of people leading the organisation
 - The activity of leading

Leadership role for good strategy execution

Leaders/Managers have five leadership roles:

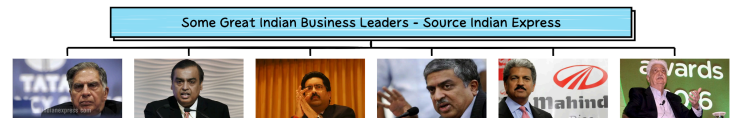
- Monitoring progress, solving issues, and finding obstacles to execution.
- Promoting esprit de corps for competent strategy execution and high performance.
- Keeping the ORG. alert to changing conditions, opportunities, innovative ideas, and ahead of rivals in competencies and capabilities.
- Exercising ethical leadership and acting like a model corporate citizen.
- Pushing corrective actions to improve strategy execution and performance.

Question - Suresh Sinha has been recently appointed as the head of a strategic business unit of a large multiproduct

company. Advise Mr Sinha about the leadership role to be played by him in execution of strategy.-(RTP, May 2018, NA) (MTP2, May 2021, 5 Marks) (MTP2, May 2022, 5 Marks) (ICAI Study Material)

Responsibilities of Strategic Leader

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



Question - KaAthens Ltd., a diversified business entity having business operations across the globe. The company leadership has just changed as Mr. D. Bandopadhyay handed over the The company leadership has just changed as Mr. D. Bandopadhyay handed over the pedals to his son Aditya Bandopadhyay, due to his poor health. Aditya is highly educated with an engineering degree from IIT, Delhi. However, being very young he is not clear about his role and responsibilities. In your view, what are the responsibilities of Aditya Bandopadhyay as CEO of the company.-(RTP, Nov 2018, NA) (RTP, May 2020, NA) (ICAI Study Material) (MTP1, Nov 2018, 5 Marks)

Approaches to leadership

Transformational Leadership

- Uses charisma and enthusiasm to inspire people for the ORG.'s good.
- Appropriate in turbulent environments, at industry start or end stages, or poorly performing ORG.s needing major changes.
- Offer excitement, vision, intellectual stimulation, and personal satisfaction.
- Inspires involvement in a mission or vision to drive major performance changes.
- Motivates followers to exceed expectations, builds self-confidence, and promotes innovation.

Transactional Leadership

- Uses authority to exchange rewards like pay and status.
- Appropriate for settled environments, growing/mature industries, and well-performing ORG.s.
- Offers a formalized approach—clear goals, with rewards or penalties for performance.
- Improves current situations by focusing on designing systems and controlling activities.
- Matches well with persuading people to work efficiently and run operations smoothly.

Organisational Control

As per ICAI study material they have named the topic as Strategic control

Meaning of Control

- Controlling is a key management function, ensuring performance of planned activities and achieving predetermined goals.
- It involves monitoring, measuring, analysing deviations, and adapting the system, helping organisations learn and grow.
- Elements of control process:
 - Objectives with measurable standards
 - Monitoring and measuring mechanism
 - System to compare actual results vs standards, detect deviations, and gain insights
 - Feedback for corrective and adaptive actions to stay on course
- Types: Operational, Management, and Strategic control

Question –Sanya Private Limited is an automobile company. For the past few years, it has been observed that the progress of the company has become stagnant. When scrutinized, it was found that the planning department was performing fairly well but the plans could not be implemented due to improper use of resources, undesirable tendencies of workers and non-conformance to norms and standards. You are hired as a Strategic Manager. Suggest the elements of process of control to overcome the problem. –(SA, Jan 2021, 5 Marks) (MTP2, May 2022, 5 marks) (ICAI Study Material)

Operational Control

- Focus – Individual task rather than aggregate management functions.

- Procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.
- Characteristics – Clear relationship between inputs and outputs.
- Nature – Mechanistic (RIGID), with specific standards and tolerances.
- Some of the examples of operational controls can be
 - production control (manufacturing to set programmes),
 - quality control (keeping product quality between agreed limits),
 - cost control (maintaining expenditure as per standards),
 - budgetary control (keeping performance to budget).

Management Control

- Scope – More inclusive and aggregative, covering entire departments, divisions, or ORG.s.
- Purpose – To achieve enterprise goals efficiently and effectively
- Definition – ensuring resources are obtained and used efficiently and effectively to meet ORG.al objectives.

Question –Differentiate between Operational control and management control. –(RTP, Nov 2018, NA) (MTP2, Nov 2022, 5 Marks) (MTP1, Nov 2023, 5 Marks) (Model test paper 3, May 2025, 5 marks)

Strategic Control

Strategic Control focuses on the dual questions of whether

- The strategy is being **implemented** as **planned** (जैसे प्लान किया था वैसे Implement भी हुआ); and
- The **results** produced by the strategy are those **intended** (जैसे रिजल्ट सोचे थे वो अचीव भी हुए)
- There is a Time Gap between strategy formulation and implementation.
- Strategic control is the process of evaluating strategy as it is formulated and implemented.

Types of Strategic Control: There are four types of strategic control as follows:

Premise control

- A strategy is formed on the basis of certain **assumptions** or premises about the ORG.al environment.

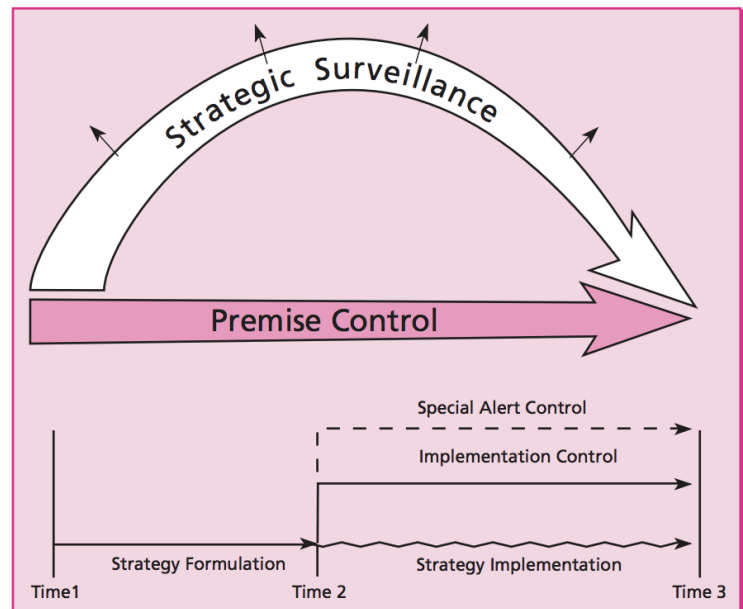
- Premise control is a tool for systematic and continuous **monitoring** of the environment to verify the **validity** and **accuracy** of the **premises** on which the strategy has been built.
- It primarily involves monitoring two types of factors.
 - Environmental** factors such as economic, technological, social and regulatory.
 - Industry** factors such as competitors, suppliers, substitutes.
- Not all premises warrant the same level of control due to differing impacts on ORG.al functioning and strategy

Question -EcoTec, a company specializing in sustainable technology solutions, is facing challenges due to shifts in environmental regulations and market preferences. To manage these uncertainties, they regularly review and update their business assumptions and strategic plans based on changing regulatory environments and consumer trends. This proactive approach helps them stay aligned with evolving market conditions and maintain a competitive edge. Explain which approach is EcoTech to adapt to changes in regulations and market conditions?-(RTP, Jan 2025, NA)

Strategic Surveillance	
Unfocussed	
General Monitoring	Various sources of info.
Casual Environment Browsing	Reading Newspaper, magazines
	Attending conferences etc
Loose form	capable of uncovering information relevant to the strategy.

Special alert control			
A mechanism designed to respond to			
sudden and unexpected events that significantly impact an organization's operations or strategy. Example of sudden changes	Natural Calamities	Terrorist attacks	Unexpected merger of competitors
Includes formation of	Crisis mgt. team		

Implementation control			
Assess the need for change in the overall Strategy →	In the light of	unfolding events	
		Results of steps and action	
Continuously monitor →	Basic direction		
Two forms→	Monitoring strategic thrusts→	determine whether the strategic thrust is helping the org to go into right direction or there is a need to change	
	Milestone review→	Breaks down the strategy implementation process into key activities marked by specific times, events, or major resource allocations.	
		Evaluate progress of each milestone, →	assessing whether to continue on the current path or to adjust the strategy



Source - https://brainmass.com/file/298420/Strategic_Management_Ch13.pdf - Date of link 5/6/2021

Strategic Performance Measures

- Strategic Performance Measures (SPM) are metrics used to track the effectiveness of strategies in achieving strategic goals.
- SPM provides a framework to measure key areas critical to strategy success, assess progress, and enable performance adjustments.

Types of Strategic Performance Measures:

- Financial Measures: Track revenue growth, ROI, and profit margins.

- **Customer Satisfaction Measures:** Customer satisfaction, retention, and loyalty to evaluate ability to meet customer needs.
- **Market Measures:** Market share, customer acquisition, and referrals to assess competitiveness and customer attraction.
- **Employee Measures:** Employee satisfaction, turnover, and engagement to gauge talent retention and work environment.
- **Innovation Measures:** R&D spending, patent applications, and new product launches to assess ability to innovate.
- **Environmental Measures:** Energy consumption, waste reduction, and carbon emissions to measure sustainability efforts.

Question – Define Strategic Performance Measures (SPM). Explain various types of strategic performance measures– (MTP2, May 2024, 5 Marks) (Model Test Paper 2, May 2025, 5 Marks)

The Importance of Strategic Performance Measures

Strategic performance measures are essential for ORG.s for several reasons:

- **Goal Alignment:** Align strategies with goals to stay on track for desired outcomes.
- **Resource Allocation:** Provide data to prioritize and allocate resources for maximum impact.
- **Continuous Improvement:** Enable tracking and adjustments for ongoing performance improvement.
- **External Accountability:** Show accountability to stakeholders with clear performance insights.

Choosing the Right Strategic Performance Measures

ORG.s should choose strategic performance measures aligned with their goals and objectives and provide relevant and actionable information. Consider these factors:

- **Relevance:** SPM must be Aligned with goals, actionable and meaningful.
- **Data Availability:** Based on data that is easily available, collected, and analyzed.
- **Data Quality:** Based on high-quality, accurate, and reliable data.
- **Data Timeliness:** Based on current and up-to-date data for timely decisions

These measures help assess strategy success, find improvement areas, and guide resource allocation. They should be relevant, meaningful, understandable, and regularly reviewed to stay aligned with goals.

Antivirus

- *Track repeat purchase rate for customer loyalty. Track number of website visits when the goal is customer loyalty – not relevant.*
- *Track daily sales using the POS system already installed.*
- *Use automated defect count from machines for quality control.*
- *Use real-time inventory levels to restock on time.*

Question – Why Strategic Performance Measures are Essential for ORG.s?–(MTP1, May 2024, 5 Marks) (RTP, Sep 2024, SA) (Model Test Paper 1, May 2025, 5 marks) (Model test paper 8, May 2025, 5 marks)

Question – What factors should ORG.s consider when choosing strategic performance measures, and why are these factors important?–(MTP1, Sep 2024, 5 Marks) (Model test paper 4, May 2025, 5 marks)

Toward More Holistic Measures of Strategic Performance

Management thought has moved beyond financial metrics. The Triple Bottom Line (TBL) includes People, Planetary Concerns, and Economic Prosperity. The Quadruple Bottom Line adds a 4th P—Purpose, introducing a spiritual dimension.

