CORPORATE STRATEGY NOTES: 18 MBA 208 Dr. Joysingha Mishra

MOD-1:

A corporate strategy entails a clearly defined, long-term vision that organizations set, seeking to create corporate value and motivate the workforce to implement the proper actions to achieve customer satisfaction. In addition, corporate strategy is a continuous process that requires a constant effort to engage investors in trusting the company with their money, thereby increasing the company's equity. Organizations that manage to deliver customer value unfailingly are those that revisit their corporate strategy regularly to improve areas that may not deliver the aimed results.

Corporate strategies may pertain to different aspects of a firm, yet the strategies that most organizations use are cost leadership and product differentiation.

Cost leadership is a strategy that organizations implement by providing their products and services as low as consumers are willing to pay, thereby being competitive and realizing a volume of sales that allows them to be the leaders in the industry. Typical examples of cost leaders are Wal-Mart in the retail industry, McDonalds in the restaurant industry, and Ikea, the furniture retailer that offers low-priced, yet good quality home equipment by sourcing its products in emerging markets, thereby having a high-profit margin.

Product differentiation refers to the effort of organizations to offer a unique value proposition to consumers. Typically, companies that manage to differentiate their products from the competition are gaining a competitive edge, thereby realizing higher profits. Often, competitors employ cost leadership to directly compete with these companies; yet, customer satisfaction and customer loyalty are the factors that eventually make or break a strategy.

Corporate strategy means a company's vision and tactics to outperform its competition.

Corporate strategy takes a portfolio approach to strategic decision making by looking across all of a firm's businesses to determine how to create the most value. In order to develop a corporate strategy, firms must look at how the various business they own fit together, how they impact each other, and how the parent company is structured, in order to optimize human capital, processes, and governance. Corporate strategy builds on top of business strategy, which is concerned with the strategic decision making for an individual business.

The Components of Corporate Strategy:

There are several important components of corporate strategy that leaders of organisations focus on. The main tasks of corporate strategies are-

1. Allocation of resources

2. Organisational design

3. Portfolio management

4. Strategic trade offs

These are the 4 pillars of corporate strategy.

External environment → Current strategy ← Internal Environment

Goals & failures performances → Assess current strategies and Environment

↓

Strategic alternative evaluation

↓

Recommendation

Allocation of Resources:

The allocation of resources at a firm focuses mostly on two resources:

People-

Identifying core competencies and ensuring they are well distributed across the firm

Moving leaders to the places they are needed most and add the most value (changes over the time, based on priorities)

Ensuring an appropriate supply of talent is available to all businesses.

Capital-

Allocating capital across businesses so it earns the highest risk-adjusted return

Analysing external opportunities (merger and acquisition) and allocating capital

In an effort to maximize the value of the entire firm, leaders must determine how to allocate these resources to the various businesses or business units to make the whole greater than the sum of the parts.

Identifying core competencies and ensuring the manpower are well distributed across the firm rightly.

Moving leaders to the places where they are needed most and add the value most (changes over time, based on priorities).

Ensuring an appropriate supply of talent is available to all businesses.

Analysing external opportunities (mergers and acquisitions) and allocating capital between internal (projects) and external opportunities.

Types of Corporate Level Strategy – 4 Major Types:

Stability Strategy:

Expansion Strategy:

Retrenchment Strategy

Combination Strategy

Stability Strategy:

Stability Strategy is a corporate strategy where a company concentrates on maintaining its current market position. A company that adopts such an approach focuses on its existing product and market.

Expansion strategy:

The Expansion Strategy is adopted by an organization when it attempts to achieve high growth as compared to its past achievements. It is adopted by those firms that have managers with a high degree of achievement and recognition.

Retrenchment strategy

A retrenchment strategy is the process of aggressively cutting costs in ways that have impact to firm's operations and revenue. This is usually done in the context of a turnaround whereby management take drastic steps to prevent an organization from failing.

Combination strategy

A combination strategy is the pursuit of two or more of the previous strategies simultaneously. For example, one business in the company may be pursuing growth while another in the same company is contracting.

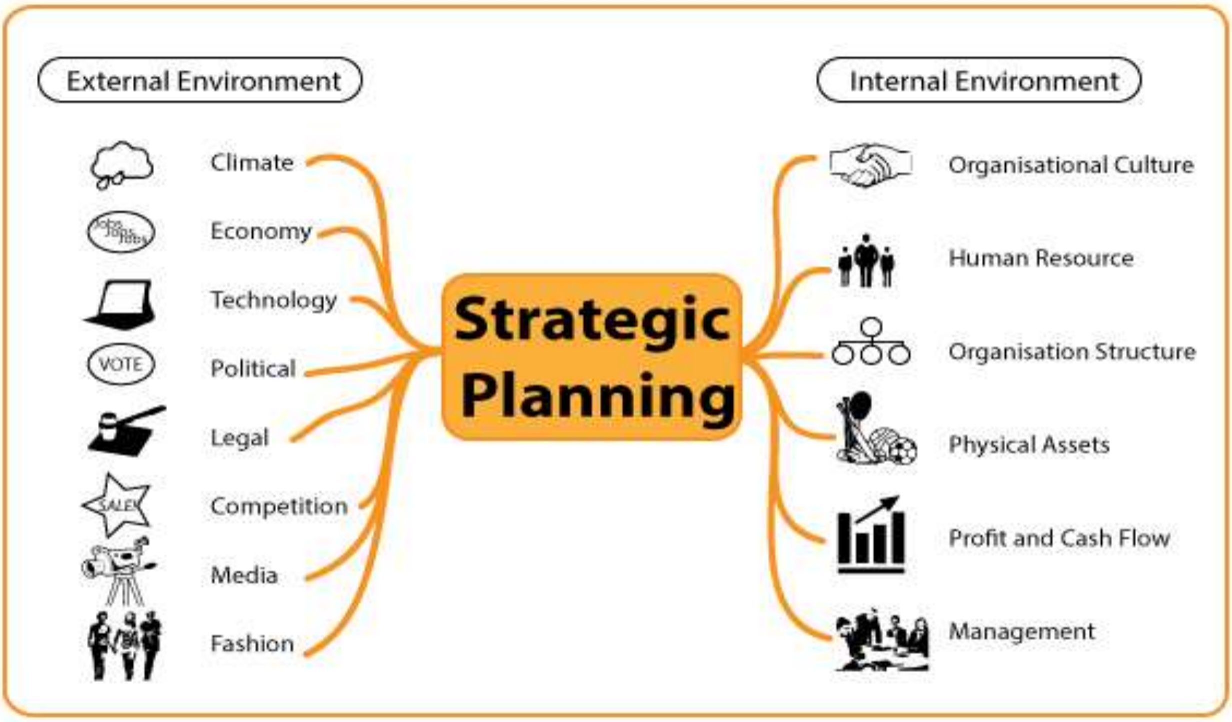
Therefore, the corporate with their present position wish to capitalize on the superior knowledge of local conditions and choose a very narrow segment of market.

The corporate level generic strategies pertain to identify the businesses the company shall be engaged in.

For any business to grow and prosper, managers of the business must be able to anticipate, recognise and deal with change in the internal and external environment. Change is definite, and for that reason business managers must actively engage in a process that identifies change and modifies business activity to take best advantage of change. That process is strategic planning.

Forward & Backward integration,

Identification of External and Internal Environment:



Corporate Strategic planning:

Step 1: Develop a plan / timetable

At the outset, the management committee (or organisation management) need to devise a plan for strategic planning. The plan should identify who will be involved and include a schedule of dates for key events. Strategic planning needs the involvement of a lot of people and therefore there is a need for coordination. Developing and the communicating a schedule of dates upon which important planning events occur is necessary to get people on board. Some thought should be given to obtaining the services of an independent facilitator, preferably with experience in strategic planning.

Step 2: Survey customers/members

Feedback from customers is an important input into the strategic planning process. Valuable information can be learned about the organisation's programs, services and events. A survey can draw out the views of customers as to where issues need to be fixed, and it provides an opportunity to test the popularity of proposed changes to programs and services. Important factors in conducting a survey are

(1) Defining the questions correctly

and

(2) utilising technology to analyse the survey data.

Step 3: Review the previous plan

Review the previous strategic plan, if one exists. The review should attempt to identify progress towards any goals and what strategies have been successful and unsuccessful. This information will be useful in strategic planning meetings. It is a good idea to create a single page summary of the previous plan's successes/failures and to provide the document to those who will be involved in the planning process.

Step 4: Conduct SWOT meeting

In this model of a strategic planning process, there are 2 strategic planning meetings. The first meeting is the “SWOT” meeting in which persons gathered attempt to identify the organisation's strengths, weaknesses, opportunities and threats. Here the impartiality of an independent facilitator is most useful. The meeting duration will be approximately 3 hours with a 20minute break with refreshments served.

The issues and ideas raised by meeting participants need to be documented using a laptop by someone who can type reasonably fast. This record of the meeting can then be sent to those who attended, and any others who may be attending the next meeting. The facilitator can be very useful in two ways. Firstly, they can prompt and assist the meeting documenter/note taker on what to record and secondly, they can assist the meeting work towards defining goals.

Step 5: Prepare for Strategic Planning Meeting

Using the record of the SWOT meeting, the independent facilitator prepares an additional document that will assist in the process of formulating the goals, objectives and strategies in the next meeting. This document should list many possible strategies, which in the view of the facilitator, could achieve progress towards fixing an identified issue or achieving and identified goal.

The objective of this meeting is to find consensus on

(a) 6-8 goals

and

(b) the strategies to be adopted to pursue those 6-8 goals. It is not recommended to set too many goals as this makes the strategic plan harder to achieve.

This meeting will have a duration of 3 hours with a 20 minute break for the serving of refreshments. This meeting will be a little more difficult than the SWOT meeting. It is in this meeting that the strategic plan is mostly set. Using the document prepared in Sep 5, the meeting participants undertake the following:

1. Look at the main issues that were raised in the SWOT meeting
2. Agree on goals (the independent facilitator may have drafted in some goals already but there may be many blanks)
3. Agree on strategies to be implemented to pursue the agree goals.

The facilitator needs to inform all persons present that it usually takes the implementation of many strategies to achieve a single goal. Therefore if 6-8 goals are set, then the likely total number of strategies set will be 15-20. Some strategies may cost significant amounts of money (e.g. employment of a person) whereas other strategies have negligible costs involved.

Step 6: Prepare first draft of the Strategic Plan

Following the second meeting the independent facilitator should prepare and provide the first draft of the strategic plan to the management committee. Ideally the management committee will circulate the draft to all persons who participated in meetings and invite further comments. It is possible that the first draft may have missed important elements or there are errors in the wording. Furthermore, there may be people who want to contribute but were not able to attend either of the two meetings.

Step 7: Prepare second draft of the Strategic Plan

After an interval of one month from the circulation of the first draft, a second draft may be published that incorporates further comments and corrections.

This draft could be published on the organisation's web site with an invitation to comment. A deadline should be set for feedback.

The circulation of this second draft ensures that opportunity for the widest possible consultation. Strategic planning is as much about being seen to do the right thing. It is important to avoid criticism that the strategic planning process lacked due consultation.

Step 8: Implement the Plan

It is not necessary that the plan be implemented immediately after publication but may be implemented on a defined date. The strategies contained within the plan are put into operation. Work is carried out according to the plan and the organisation begins to move in the direction of the desired change.

The implementation of the plan continues until either all goals and objectives have been achieved or until the organisation sets a new plan. Typically, a strategic plan has a duration of 3 to 5 years. However strategic plans of greater or smaller duration may be warranted from time to time.

Step 9: Monitoring of Plan Progress

It is necessary to continually gather and monitor data in accordance with set Key Performance Indicators (KPI). Keeping a membership database and continually monitoring the number of members is an example.

Data on whether the organisation is making progress to Key Performance Indicators should be reported at management committee meetings.

The continual monitoring of this data, over the lifetime of the plan, enables management to determine whether the strategic plan is being properly implemented, the level of success being achieved and whether the plan requires modification.

STRATEGIC ADVANTAGE PROFILE:

The strategic advantage profile is a tool for making a systematic evaluation of the enterprises internal factors which are significant for the company in its environment. The SAP shows the strengths and weakness of an organization in different functional areas.

Strategists must be aware of the strategic advantages or strengths of the firm to be able to choose the best opportunity for the firm. On the other hand, they must regularly analyse their strategic disadvantages or weaknesses in order to face environmental threats effectively

The basic areas that SAP covers:

- Basic research capabilities within the firm.
- Development capability for product engineering.
- Excellence in product design.
- Excellence in process design and improvements.
- Superior packaging developments being created.
- Improvements in the use of old or new materials.

ETOP (Environmental Threat and Opportunity Profile):

ETOP analysis (environmental threat and opportunity profile) is the process by which organizations monitor their relevant environment to identify opportunities and threats affecting their business for the purpose of taking strategic decisions.

Importance of ETOP:

1. Provide clear picture to the strategist about the sectors & factors in these sectors which may have favourable impact on the organization.

2.It help an organization in formulating an appropriate strategy to take advantage of opportunity & threats to the business.

SWOC (Strengths, Weaknesses, Opportunities, and Challenges):

SWOC analysis is a strategic planning method used to research external and internal factors which affect company success and growth. Firms use SWOC analysis to determine the strengths, weaknesses, opportunities, and challenges of their firm, products, and competition. SWOC analysis is relevant to SWOT analysis.

A SWOC analysis is a strategic planning tool that can be used during the curriculum assessment and review process to make informed decisions based upon collective input from multiple stakeholders.

Conceptual Framework:

It is a theoretical and empirical analysis of the pattern of the strategic management field and the progress in the field of strategic management has been made. It is to reveal in which sub-areas strategic theories and researches are carried out and the direction of research carried out in the business field. The basic concept of strategic management consists of a continuous process of planning, monitoring, analysing and assessing everything that is necessary for an organization to meet its goals and objectives. It is a management technique used to prepare the organization for the unforeseeable future.

The Concept of strategy:

Strategy is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as "A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process".

The Strategic Management Process:

Strategic management process is a continuous culture of appraisal that a business adopts to outdo the competitors. Simple as it may sound, this is a complex process that also covers formulating the organization's overall vision for present and future objectives. The four phases of strategic management are formulation, implementation, evaluation and modification.

Role of Stakeholders in Business:

A stakeholder's primary role is to help a company meet its strategic objectives by contributing their experience and perspective to a project. They can also provide necessary materials and resources. Key stakeholders to be involved in strategic planning are those having a vested interest in the success of the organization. They include employees, unions, customers, vendors, shareholders, regulatory agencies, owners, supply chain partners, community members, and others who depend on and/or serve the organization.

Vision:

Strategic leaders need to ensure that their organizations have three types of aims. A vision states what the organization aspires to become in the future. A mission reflects the organization's past and present by stating why the organization exists and what role it plays in society. A vision is an intense mental image of what you want your business to be at some point in the future, based on business goals and aspirations. Having a vision will give the business a clear focus, and can stop heading in the wrong direction.

Mission:

An organization's mission is viewed as an overall goal of the organization. It provides a sense of direction to all employees. It is formulated in the form of a statement. It is, therefore, often called a strategic management mission statement. A mission statement is a concise explanation of the organization's reason for existence. It describes the organization's purpose and its overall intention. The mission statement supports the vision and serves to communicate purpose and direction to employees, customers, vendors and other stakeholders.

Purpose:

The purpose of strategic management is to help the business to meet its objectives. Basically, it outlines the actions and decisions that allow an organization to achieve its goals.

Objectives:

Objectives of Business – Profitability, Growth, Stability, Efficiency and Survival. Business means busy in some activities. Business means conducting activities such as – sale, purchase and manufacturing etc for profit and growth. Strategic objectives are the big-picture goals for the company: they describe what the company will do to try to fulfil its mission. Strategic objectives are usually some sort of performance goal—for example, to launch a new product, increase profitability, or grow market share for the company's product.

Goals:

Business strategy is the identification and creation of plans that will help achieve macro goals such as increased profitability, expansion, diversification, debt reduction, risk management, increased employee retention or a reduction in taxes. Strategic management involves setting objectives, analyzing the competitive environment, analyzing the internal organization, evaluating strategies, and ensuring that management rolls out the strategies across the organization.

Strategic intent

Strategic intent is the term used to describe the aspirational plans, overarching purpose or intended direction of travel needed to reach an organisational vision. Beneficial change results from the strategic intent, ambitions and needs of an organisation. A vision for an organization's future. This is a far target that serves as an inspiration and long- term direction. For example, an energy company with a vision of serving global energy needs with zero environmental impact. The Strategic Intent Elements (Strategic intent vision, mission and objectives) serve to unify the ideas and resources towards a certain direction. These elements are not only beginning points but also the milestones at various levels. These elements act as a foundation for planning and directing activities. There are three major attributes of Strategic Intent, namely Sense of Direction, Sense of Discovery and Sense of Destiny.

Strategic Intent:
In the field of management and organizational development, strategic intent is defined as a compelling statement about where an organisation is going that succinctly conveys a sense of what that organization wants to achieve in the long term. Strategic intent answers the question: “What exactly the management is trying to accomplish”

- Strategic intent can provide a sense of direction, a particular point of view about the long-term market or competitive position the organization hopes to develop and occupy.

- Strategic intent can provide a sense of discovery in that it holds out to the organization's members the promise of learning about other organizations that operate in the same market, adopting their best practices and avoiding pitfalls.
- Strategic intent can provide a sense of destiny, a worthwhile goal around which energies can be focused across the organization.

HIERARCHY OF STRATEGY:

The hierarchy of strategies describes a layout and relations of corporate strategy and sub-strategies of the organization.

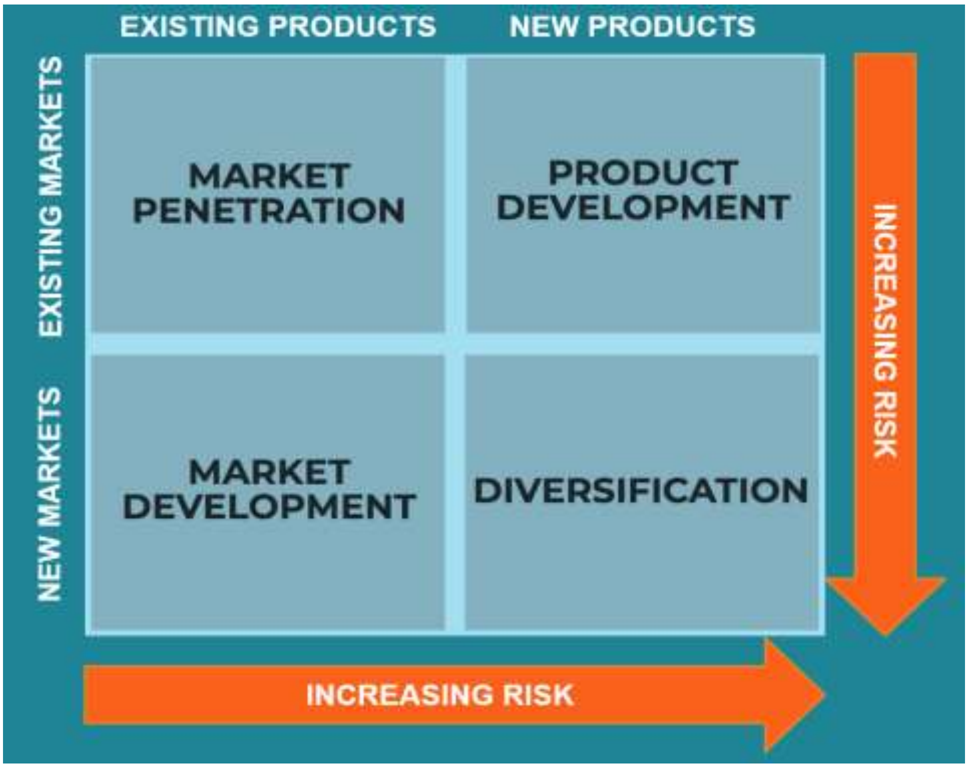
Individual strategies are arranged hierarchically and logically consistent at the level of vision, mission, goals, and metrics.

The four fundamental corporate strategies are:

Concentration:

A concentration strategy involves trying to compete successfully within a single industry. Market penetration, market development, and product development are three methods to grow within an industry.

Ansof Strategy matrix:



Ansoff Matrix, also called the Product/Market Expansion Grid, is a tool used by firms to analyse and plan their strategies for growth. Often referred to as G, the sustainable growth rate can be calculated by multiplying a company's earnings retention rate by its return on equity. The product marketing strategy was a joint work of four growth areas: market penetration, market development, product development, and diversification. When displayed visually, these four areas create the Ansoff Growth Matrix.

Vertical integration:

Vertical integration is a strategy whereby a company owns or controls its suppliers, distributors, or retail locations to control its value or supply chain. Vertical integration benefits companies by allowing them to control processes, reduce costs and improve efficiencies.

Concentric diversification

and

Conglomerate diversification

The strategy hierarchy is often taught in business and marketing schools today, stating that a strategy can be formulated at three different levels: corporate level, strategic business unit level (SBU), and functional (or departmental) level.

SBU:

In business, a Strategic Business Unit (SBU) is a profit centre which focuses on product offering and market segment. SBUs typically have a discrete marketing plan, analysis of competition, and marketing campaign, even though they may be part of a larger business entity.

An SBU may be a business unit within a larger corporation, or it may be a business into itself or a branch. Corporations may be composed of multiple SBUs, each of which is responsible for its own profitability. General Electric is an example of a company with this sort of business organization. SBUs are able to affect most factors which influence their performance. Managed as separate businesses, they are responsible to a parent corporation.

A strategic business unit, popularly known as SBU, is a fully-functional unit of a business that has its own vision and direction. The best example of SBU are companies like ITC, Proctor and Gamble, LG, Bajaj etc. These companies have different product categories under one umbrella.

The main features of strategic business units are:

- They are present in the organizational structure,
- They are organizational units without separate legal personality,
- They utilize "product-market" strategy,
- Type of activity performed by them is of crucial and decisive importance for the whole company.

The main advantages are:

SBU supports cooperation between the departments of the company which has a similar range of activities, improvement of strategic management, improvement of accounting operations and easier planning of activities.

BCG Matrix:

The Boston Consulting Group's product portfolio matrix (BCG matrix) is designed to help with long-term strategic planning, to help a business firm.

STAR:

Stars are units with a high market share in a fast-growing industry. They are proceeded to Question marks with a market or niche-leading route of business. Stars require high funding to fight competitors and maintain their growth rate. When industry growth slows, if they remain a niche leader or are amongst the market leaders, stars become cash cows; otherwise, they become dogs due to low relative market share.

QUESTION MARKS:

Question marks (also known as a Problem child or Wild dogs) are businesses operating with a low market share in a high-growth market. They are a starting point for most businesses. Question marks have a potential to gain market share and become stars, and eventually cash cows when market growth slows. If question marks do not succeed in becoming a market leader, then after perhaps years of cash consumption, they will degenerate into dogs when market growth declines. When shift from question mark to star is unlikely, the BCG matrix suggests divesting the question mark and repositioning its resources more effectively in the remainder of the corporate portfolio. Question marks must be analysed carefully in order to determine whether they are worth the investment required to grow market share.

CASH COW:

Cash Cow is where a company has high market share in a slow-growing industry. These units typically generate cash in excess of the amount of cash needed to maintain the business. They are regarded as serious and tedious, in a "mature" market, yet corporations value owning them due to their cash-generating qualities. They are to be "profited" continuously with as little investment as possible, since such investment would be wasted in an industry with low growth. Cash "drained" is used to fund stars and question marks, that are expected to become cash cows some-time in the future.

DOG:

Dogs, more generously called pets, are units with low market share in a mature, slow-growing industry. These units typically "break even", generating barely enough cash to maintain the business's market share. Though owning a break-even unit provides the social benefit of providing jobs and possible synergies that assist other business units, from an accounting point of view such a unit is worthless, not generating cash for the company. They depress a profitable company's return on assets ratio, used by many investors to judge how well a company is being managed. Dogs, it is thought, should be sold off once short-time harvesting has been maximized.

GE MATRIX:

The GE-McKinsey Matrix (a.k.a. GE Matrix, General Electric Matrix, Nine-box matrix) is just like the BCG Matrix a portfolio analysis tool used in corporate strategy to analyse strategic business units or product lines based on two variables: industry attractiveness and the competitive strength of a business unit. GE multifactorial analysis is a technique used in brand marketing and product management to help a company decide what products to add to its portfolio and which opportunities in the market they should continue to invest in. It is conceptually similar to BCG analysis, but somewhat more complicated.

GE Nine (9) Cell Matrix:

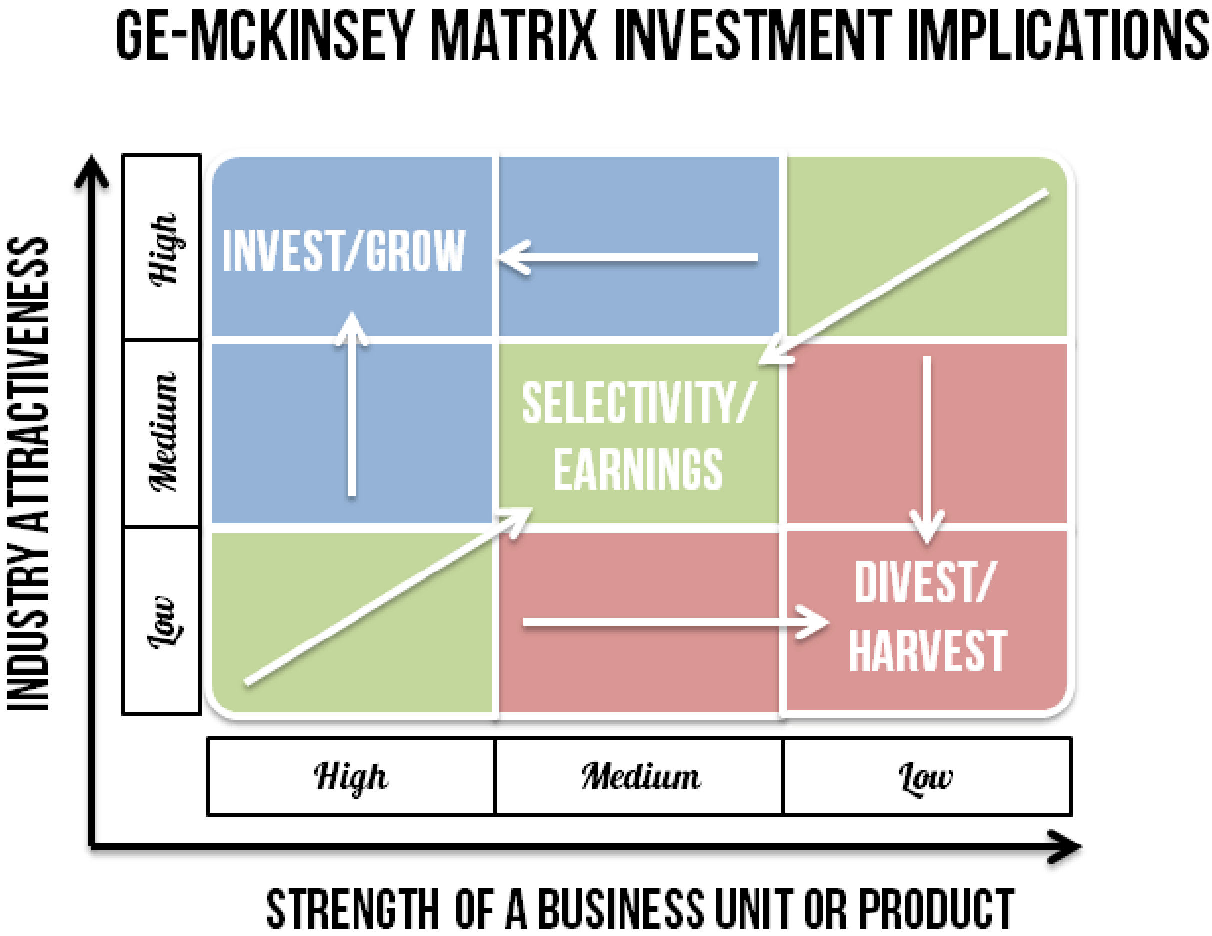
GE nine-box matrix is a strategy tool that offers a systematic approach for the multi business enterprises to prioritize their investments among the various business units. It is a framework that evaluates business portfolio and provides further strategic implications. The GE/ McKinsey Matrix or GE-McKinsey nine-box matrix is a business portfolio analysis that provides a structured way to evaluate business units on two key dimensions:

the attractiveness of the market involved

and

the strength of the firm's position in that market.

GE-MCKINSEY MATIX:



The GE McKinsey Matrix is fundamentally a portfolio analysis. That is, it compares groups of products with their competitive power and market attractiveness.

The portfolios themselves are comprised of the full suite of products or services that a business offers to the market. In the context of General Electric, the matrix was created so that the company could analyse the composition of each of its 150 portfolios – otherwise known as strategic business units (SBU).

Ultimately, the GE McKinsey Matrix allows a large, decentralized company to determine where best to invest its cash. It does this by allowing the company to judge each SBU on its own merits according to metrics which determine future viability.

The matrix comprises two axes. The competitive strength of the individual SBUs is represented on the x-axis, while market attractiveness is represented on the y-axis.

Both competitive strength and market attractiveness are determined by a weighted score calculated from the relevant factors that apply to each. Each parameter is further divided into three categories – low, medium, and high. This creates a matrix with a total of nine cells.

The nine cells are then divided by a diagonal line, running from the bottom left to the top right of the matrix. When a product is placed on the matrix, its position relative to the diagonal line determines the strategy that should be used.

MOD 2:

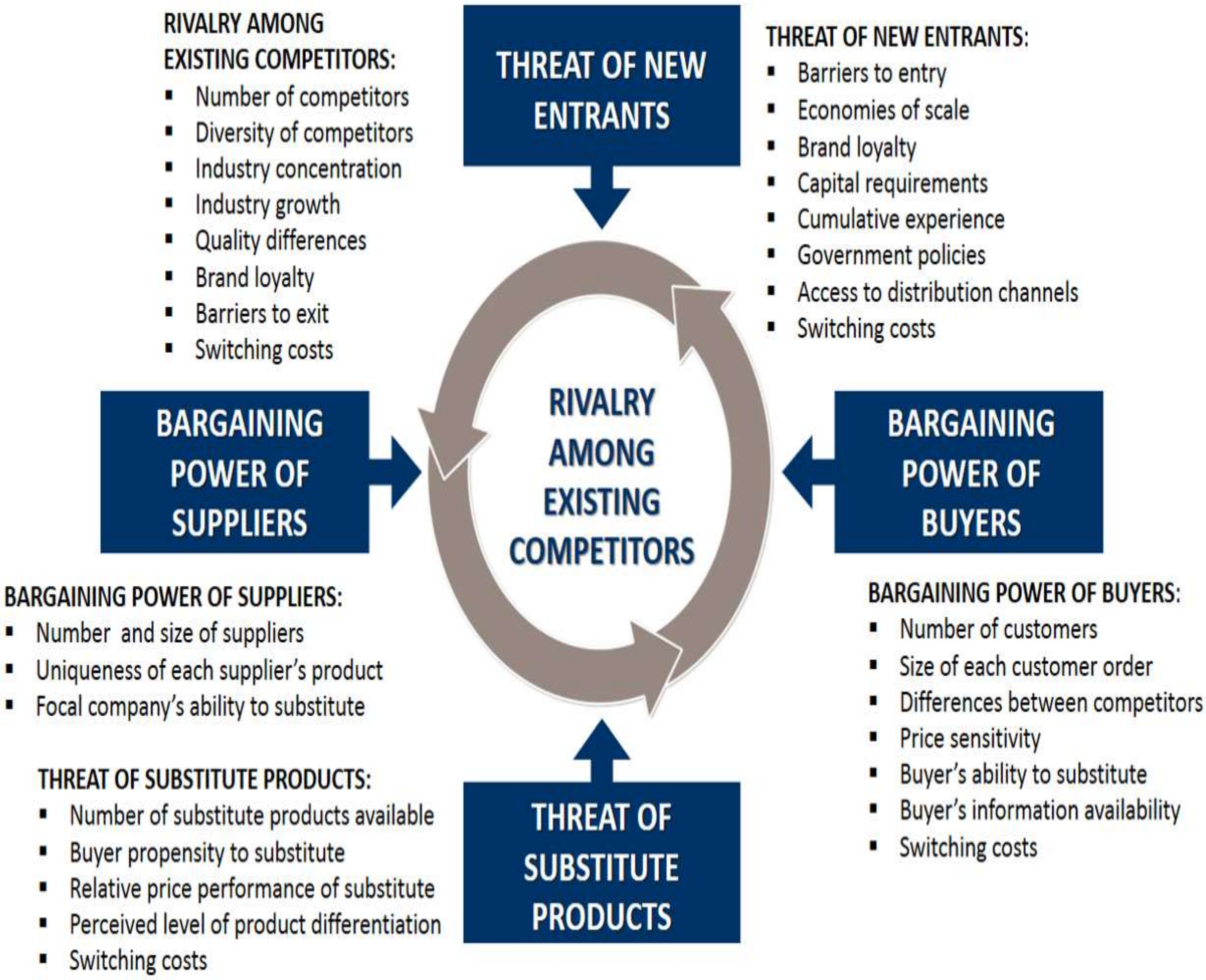
Industry Analysis:

Analysing or assessing a particular industry can be quite crucial while preparing for a business plan. A company needs to know about the external forces present in the industry that can have prominent influence on its business operations.

The way one pursued hobbies as a part of management, making a thorough industry analysis should be one of hobbies to flourishing more in life.

In order to analyse an industry, the most commonly used theoretical framework is the Porter's five Force model. This model analyses an industry, by five different parameters, which are bargaining power of buyers, bargaining power of suppliers, the threat of new entrants, the threat of substitutes and rivalry among firms.

PORTER's FIVE FORCE MODEL:



An industry analysis is significant business function which is performed by business proprietors and other management experts to evaluate the present business environment. This is considered as effective market assessment tool designed to provide a business with an idea of the intricacy of a particular industry. Industry analysis reviews the economic, political and market factors that influence the way the industry develops. Major factors can include the power manipulated by suppliers and buyers, the condition of competitors, and the possibility of new market entrants.

Threat of New entrants:

New entrants in an industry bring new capacity and the desire to gain market share. The seriousness of the threat depends on the barriers to enter a certain industry. The higher these barriers to entry, the smaller the threat for existing players. Examples of barriers to entry are the need for economies of scale, high customer loyalty for existing brands, large capital requirements (e.g. large investments in marketing or R&D), the need for cumulative experience, government policies, and limited access to distribution channels. More barriers can be found in the table below.

Bargain power of suppliers:

This force analyses how much power and control a company's supplier (the market of inputs) has over the potential to raise its prices or to reduce the quality of purchased goods or services, which in turn would lower an industry's profitability potential. The concentration of suppliers and the availability of substitute suppliers are important factors in determining supplier power. The fewer there are, the more power they have. Businesses are in a better position when there are a multitude of suppliers. Sources of supplier power also include the switching costs of companies in the industry, the presence of available substitutes, the strength of their distribution channels and the uniqueness or level of differentiation in the product or service the supplier is delivering.

The bargain power of buyers:

The bargaining power of buyers is described as the market of outputs. This force analyses to what extent the customers are able to put the company under pressure, which also affects the customer's sensitivity to price changes. The customers have a lot of power when there aren't many of them and when the customers have many alternatives to buy from. Moreover, it should be easy for them to switch from one company to another. Buying power is low however when customers purchase products in small amounts, act independently and when the seller's product is very different from any of its competitors. The internet has allowed customers to become more informed and therefore more empowered. Customers can easily compare prices online, get information about a wide variety of products and get access to offers from other companies instantly. Companies can take measures to reduce buyer power.

Threat of substitute products:

The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives. In order to discover these alternatives, one should look beyond similar products that are branded differently by competitors. Instead, every product that serves a similar need for customers should be taken into account.

Energy drink like Redbull for instance is usually not considered a competitor of coffee brands such as Nespresso or Starbucks. However, since both coffee and energy drink fulfil a similar need (staying awake/getting energy), customers might be willing to switch from one to another if they feel that prices increase too much in either coffee or energy drinks. This will ultimately affect an industry's profitability and should therefore also be taken into account when evaluating the industry's attractiveness.

Rivalry among the existing competitors:

This last force of the Porter's Five Forces examines how intense the current competition is in the marketplace, which is determined by the number of existing competitors and what each competitor is capable of doing. Rivalry is high when there are a lot of competitors that are roughly equal in size and power, when the industry is growing slowly and when consumers can easily switch to a competitor's offering for little cost. A good indicator of competitive rivalry is the concentration ratio of an industry. The lower this ration, the more intense rivalry will probably be. When rivalry is high, competitors are likely to actively engage in advertising and price wars, which can hurt a business's bottom line. In addition, rivalry will be more intense when barriers to exit are high, forcing companies to remain in the industry even though profit margins are declining. These barriers to exit can for example be long-term loan agreements and high fixed costs.

Strategic group:
A strategic group is a concept used in strategic management that group of companies within an industry that have similar business models or similar combinations of strategies. The number of groups within an industry and their composition depends on the dimensions used to define the groups.

Competitive changes during Industry Evolution:

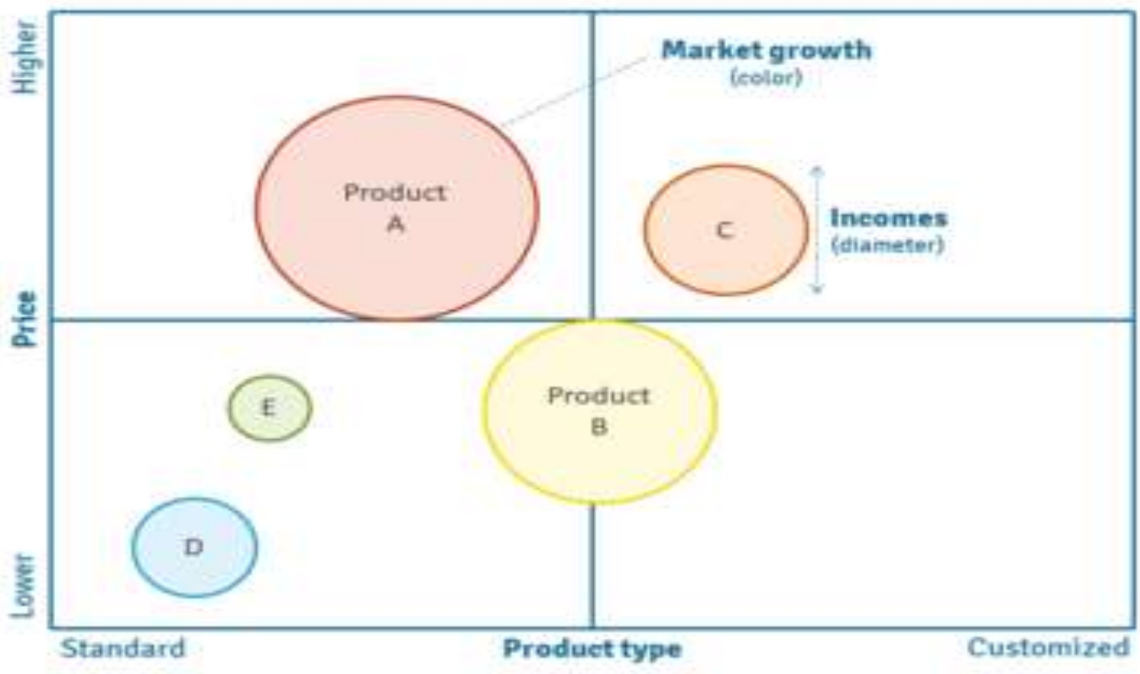
Industry lifecycle comprises four stages including fragmentation, growth, maturity and decline. An understanding of the industry lifecycle can help competing companies survive during periods of transition. The industry life cycle refers to the evolution of an industry or business through four stages based on the business characteristics commonly displayed in each phase. The four phases of an industry life cycle are the introduction, growth, maturity, and decline stages. The factors might influence the length of technology cycles included market fashion trend, customer demand, cost, marketing model and so forth.

Globalisation and Industry Structure:

In conventional economic system, national markets are separate entities separated by trade barriers and barriers of distance, time and culture. With globalization, markets are moving towards a huge global market place. Industry structure means structural attributes i.e. the enduring features that give an industry its different character. Definition (2): “An explanation of the operations and relationships within a given industrial sector (such as mining or paper products).” Firms sell output in more markets than ever, while supply chains have become increasingly fragmented across multiple locations. This has led to increased competition, changes in the market structure in which firms operate and altered pricing strategies.

Capabilities and competencies:

Core competencies are the resources and capabilities that comprise the strategic advantages of a business. A modern management theory argues that a business must define, cultivate, and exploit its core competencies in order to succeed against the competition. “Capability” is the condition of having the capacity to do something. Within this condition there is a potential for improvement of skills. On the other hand, “competence” is the improved version of “capability,” and means the degree of skill in the task's performance.



Core competency:

A core competency is a concept in management theory introduced by C. K. Prahalad and Gary Hamel. It can be defined as "a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace". Core competencies are the defining characteristics that make a business or an individual stand out from the competition. Company's people, physical assets, patents, brand equity, and capital can all make a contribution to a company's core competencies.

In general, core competencies fulfil three criteria:

- Provides access to a wide variety of markets.
- Makes a significant contribution to the perceived customer benefits of the end product.
- Makes competitive imitation difficult.

The Core Competencies are 3 sets of

- intellectual,
- personal,

and

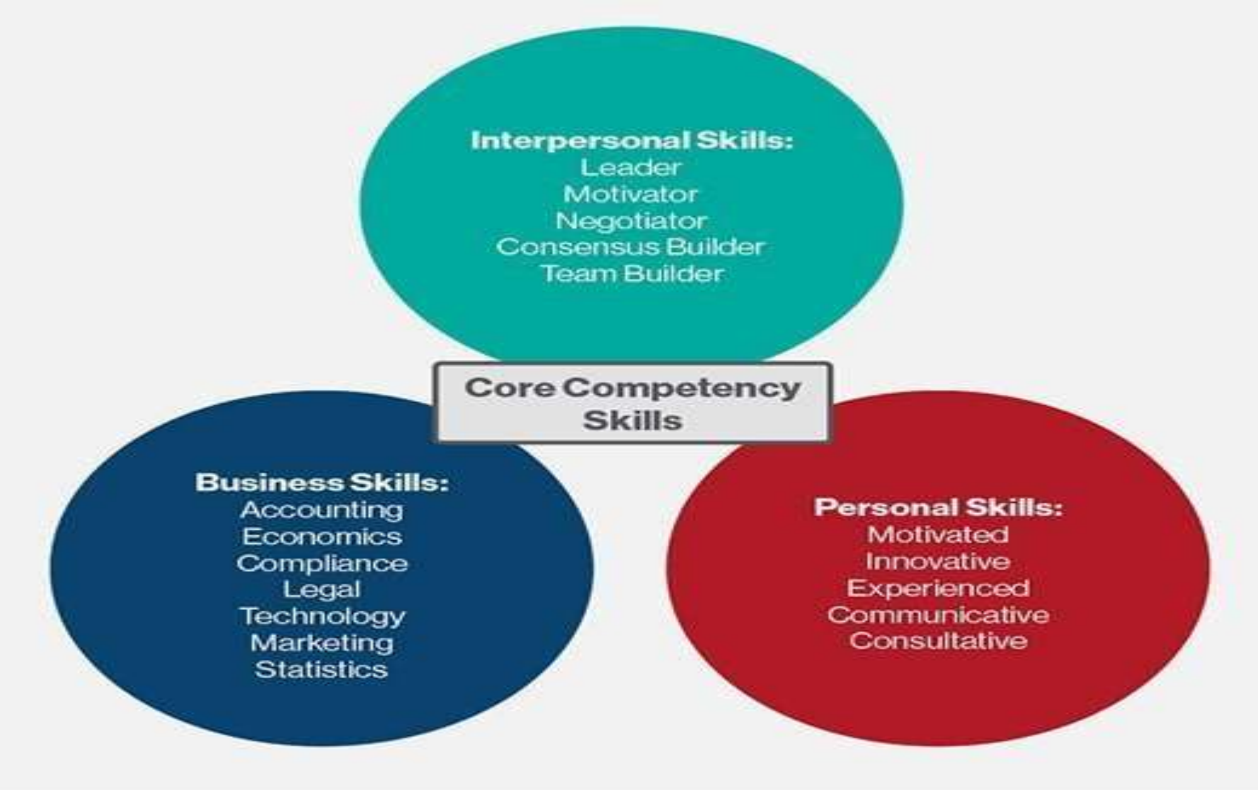
- social and emotional proficiencies

The National Association of Colleges and Employers (NACE) recently released a fact sheet defining 7 core competencies that form career readiness:

- Critical Thinking/Problem Solving.
- Oral/Written Communications.
- Teamwork/Collaboration.
- Information Technology Application.
- Leadership.
- Professionalism/Work Ethic.
- Career Management.

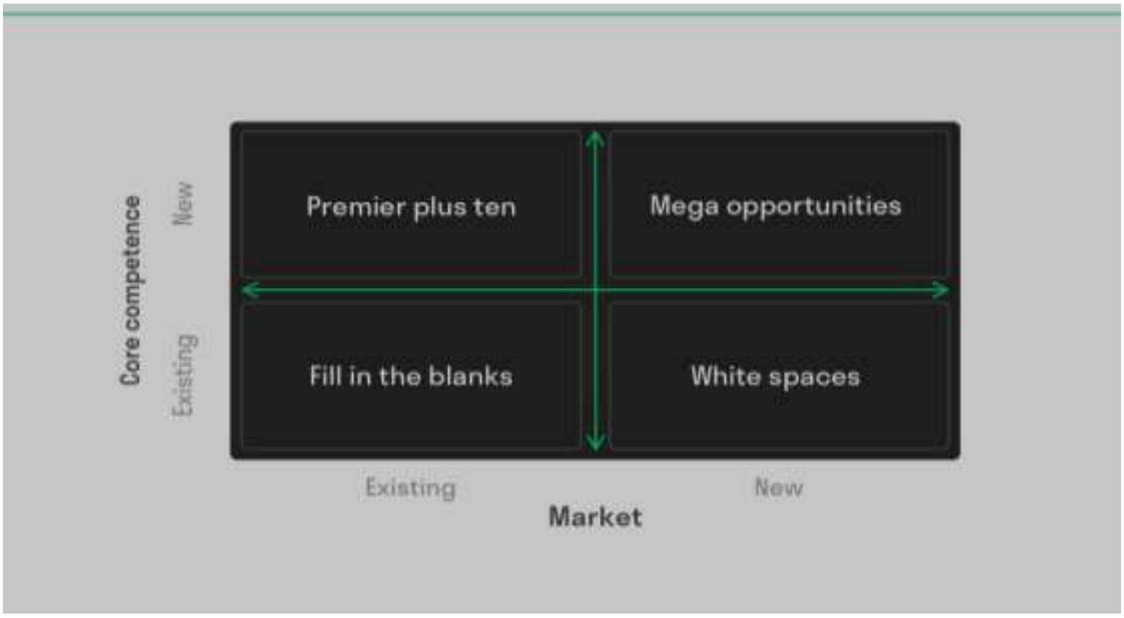
Core competency is an organization's defining strength, providing the foundation from which the business will grow, seize upon new opportunities and deliver value to customers. A company's core competency is not easily replicated by other organizations, whether existing competitors or new entries into its market.

A company can have more than one core competency. Core competencies, which are sometimes called core capabilities or distinctive competencies, helps to create a sustained competitive advantage for organizations. The concept of identifying and nurturing core competencies to drive competitive advantages and future growth applies to companies across industries.

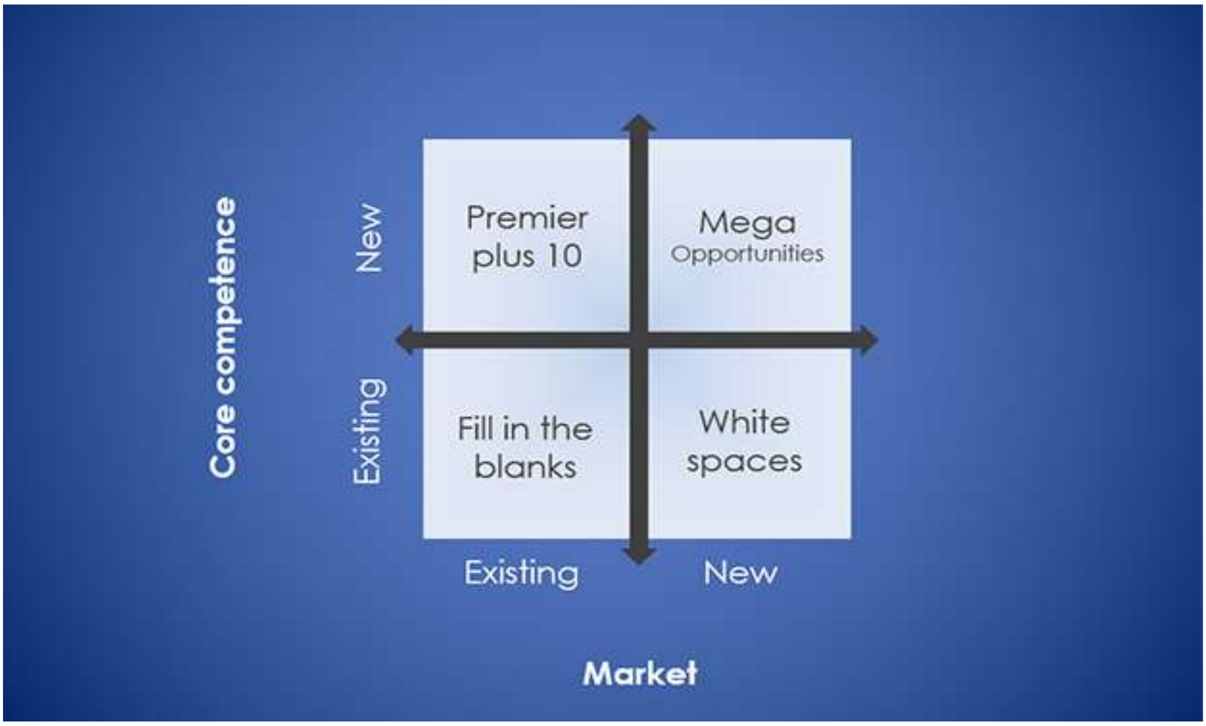


Some of the important core competencies include – decision making, teamwork, work standards, reliability, motivation, adaptability, problem-solving, integrity, communication, planning and organization, stress tolerance, and initiative.

The Core Competence Model focuses on a combination of specific, collaborative, integrated and applied knowledge, skills and attitude. According to Hamel and Prahalad the strategic objectives should not focus on fighting off the competition, but on creating a new competitive space. A core competency is a concept in management theory introduced by C. K. Prahalad and Gary Hamel.



CORE COMPETENCE MODEL:



1. Mega opportunities strategies (developing new core competencies for new markets) involve establishing strategic partnerships with or acquiring businesses that already possess desired competencies. High payoffs associated with this strategy are coupled with high risks due to inexperience with competency and market. However, the risks inherent in mega opportunities are often overlooked

due to the long-term benefits that can be realised through competency and market expansion.

2. White spaces strategies (existing core competencies applied to new markets) represent situations in which a company recognises an opportunity for deploying existing competencies in new markets.

3. Premier plus ten strategies (new core competencies deployed in existing markets) involve a simultaneous leveraging of market knowledge and exploration of opportunities that might exist through new core competence development.

4. Fill in the blanks strategies (existing core competencies in existing markets) realize that by mapping the competencies support the end-product markets, a company can identify opportunities to strengthen its position in a particular product market by importing competencies that may reside elsewhere in other competitor companies.

LOW- COST STRATEGY:

A pricing strategy in which a company offers a relatively low price to stimulate demand and gain market share. A company pursuing a Cost Leadership strategy aims to establish a competitive advantage by achieving the lowest operational costs in their sector. In a low- cost strategy, the true winner is the company with the actual lowest cost in the market place. For example, if two companies make essentially identical products that sell at the same price in the market place, the one with the lower costs has the advantage of a higher level of profit per sale.

Some cost leadership examples include McDonald's, Walmart.

How to create low- cost strategy:

Steps:

1. Analyse existing operations.
2. Research competitors.
3. Identify strategies to reduce costs.
4. Keep track of progress.

Cost leadership occurs when a company is the category leader for low pricing. To successfully achieve this without drastically cutting revenue, a business must reduce costs in all other areas of the business, such as marketing, distribution and packaging. A cost leadership strategy is a company's plan to become a cost leader in its category or market. There are many benefits to being a cost leader. Cost leaders can charge the lowest amount for a product while remaining profitable. Other companies may have to sell their products at a loss to compete with a cost leader's prices. Cost leaders can also withstand recessions better than competitors because they are experienced in appealing to consumers with budgets in mind. A company with very low operational costs could go longer without achieving sales goals than a company with high costs. The cost leaders can be more flexible. Since their costs are low, they can discount prices more often or potentially try out other product offerings that other companies might not be able to. Companies with flexibility are likely to attract a larger customer base.

Cost leadership means having the lowest operational cost in an industry and market. Price leadership means having the lowest price. Very frequently, a company that is a cost leader is also the price leader. Sometimes, a price-leading company chooses to have the lowest prices at all costs and may be less profitable as a result. For example, large online companies sometimes sell items at a loss or a small profit margin to maintain the lowest prices on some of its products and gain a larger market share. These companies would be price leaders but not cost leaders.

Strategy to become a cost leader

Most cost leaders rely on a variety of these methods at the same time to keep their operational costs extremely low and maintain their cost leadership status. Ways to become a cost leader include:

1. Increasing the production scale: Scaling a business can have a significant impact on its ability to become a cost leader. Scaling occurs when a company reduces costs by increasing the volume of materials. For instance, if a company purchases a large amount of fabric instead of only the amount it requires, the company can reduce the cost of goods with a lower per-yard price. Scaling the business helps to secure larger orders of raw materials and supplies, which can further reduce the cost of goods. It also gives a company more power over suppliers, since the company's orders will make a larger share of the supplier's business operations. A business also insulates it against the competition. Cost leaders that scale tend to have more negotiating power, more flexibility with

pricing and the ability to withstand competition more effectively. If a company is in an industry with intense competition, scaling gives it the ability to offer prices that competitors cannot. That company also gains the ability to offer inventory on a much larger scale, so it can capture a bigger segment of the market without worrying about running out of inventory.

2. Implementing advanced technology: Creating or investing in innovative technology can help companies become cost leaders. Sometimes, a company can lowering costs by creating a technology that can manufacture more products per hour, limit the number of employees needed for production or provide some other benefit to the process's efficiency. Patenting a unique technology will also ensure that other companies, including competitors, can't use it for their own benefit. A company could also sell its patented technology later on to generate more revenue.

3. Sourcing raw materials: Buying raw materials for the manufacturing process can be expensive because the supplier also marks up their prices to make a profit. If possible, sourcing raw materials and reducing the reliance on third-party products can lower operational costs. Sourcing materials directly also gives a company the ability to supply other companies. If a business's raw material supply greatly exceeds its needs, it can resell it to other manufacturers at a market price as another source of income.

4. Improving efficiency: Increased efficiency can often translate into operational cost savings for companies. One example of this is to use software to reduce the number of people required to work on the process, which would reduce salary payments. However, reducing employees is not the only way to improve efficiency and reduce costs. Quicker manufacturing times for custom orders means that a company might be able to charge more for speedy service even though a company doesn't have to pay as much for the electricity and related expenses for making a product. Better efficiency can help companies without custom products.

5. Limiting products and services: By having fewer products to manufacture and sell, that company can focus more of its efforts on a few highly profitable products or services. This makes it easier and more likely that that company will be able to scale its operations and get the lowest costs on raw materials and other supplies.

Generic building blocks of competitive advantage:

The four building blocks of competitive advantage are superior efficiency, quality, innovation, and customer responsiveness (Hill & Jones, 2009; Hill et al., 2016). These building blocks allow a company to differentiate its product offerings to provide more utility to customers and/or lower its cost structure. Building Blocks have generic characteristics as follows: A Building Block is a package of functionality defined to meet the business needs across an organization. A Building Block has published interfaces to access the functionality. A Building Block may interoperate with other, interdependent, Building Blocks.

Differentiation Strategy:

A differentiation strategy is an approach for businesses develop by providing customers with something unique, different and distinct from items their competitors may offer in the marketplace. The main objective of implementing a differentiation strategy is to increase competitive advantage.

A business will usually accomplish this by analysing its strengths and weaknesses, the needs of its customers and the overall value it can provide.

There are two main types of differentiation strategies that a business may carry out: a broad differentiation strategy and a focused differentiation strategy.

A broad differentiation strategy consists of building a brand or business that is different in some way from its competition. It is applied to the industry and will appeal to a vast range of consumers.

A focused differentiation strategy requires the business to offer unique features to a product or service, and it must fulfil the requirements of a niche or narrow market.

Differentiation strategies have several advantages that may help to develop a unique niche within industry. Here are the possible benefits of creating a differentiation strategy:

1. Reduced price competition

Differentiation strategy allows a company to compete in the market with something other than lower prices. For example, a candy company may differentiate their candy by improving the taste or using healthier ingredients.

Although its competitors have cheaper candy, they can't provide the taste that consumers may want from that specific candy company.

2. Unique products

This benefit of a differentiation strategy is that it builds on the unique qualities of a product. A company may create a list of characteristics in its products contain that the competitors lack. Those characteristics will differentiate the company's product, and may communicate this through effective marketing and advertising.

3. Better profit margins

When products are differentiated and turned into higher-quality products, it offers more opportunity for larger profit margins. For example, if target market is willing to pay a higher price for top quality or better value, it may generate more revenue with fewer sales.

4. Consumer brand loyalty

Effective differentiation may create brand loyalty in customers if a business maintains the perceived quality of your products. For example, if the company have a brand that is marketed by a sports figure, it will likely increase brand loyalty because it enhances the value of brand.

5. No perceived substitutes

A strategy that successfully differentiates may present the idea that there is no other product available on the market to substitute it with. A business may gain an advantage in the market even when there are similar products available because customers will not be willing to replace your product with another one. Companies try to differentiate themselves by providing consumers with unique products that are frequently revolutionized.

How to create a differentiation strategy:

Businesses looking to build a broad or focused differentiation strategy will need to produce or design extremely unique or distinctive products or services that create increased value for the consumer. There are several ways an organization can create a differentiation-based competitive advantage for a single product or the company as a whole. Here are some steps to create a differentiation strategy:

1. Decide what the brand want to be known for

The company must have an idea of expertise in business. The company will need to evaluate what is important to business and the areas that organization succeeds in. This way, the company will be able to provide a narrow differentiator to customers.

2. Research target audience

Research will help to align business' offerings with the wants and needs of current and potential customers. This will also inform the selection of differentiators to make expertise more appealing. For instance, the brand may decide to send a survey to those who purchase products or use services and gather data to gain an accurate idea of what they are looking for.

3. Develop differentiators

This step is important so that management can find things that make brand or products different. Each differentiator may be broad at first, so the company may try writing down differentiators and then create smaller subsections that narrow them down. Here are some common differentiations:

- Price
- Image or reputation
- Relationship
- Service
- Product
- Distribution

4. Telling story

When tell story, say business's unique story, it may automatically assist with differentiation strategy since competitors likely won't have a story like. Evaluate mission, vision and values, and the company will be able to craft an overall story about what sets apart, which turns target audience into customers.

Telling story to target audience is best executed with a bio section on the company website. The firm can also use social media channels to have a running dialogue with targeted customers on a more personal level.

5. Create a brand image

Implement strategy and create a brand image by ensuring better quality. Try to be creative and rebrand, if necessary, to capture new clients and customers within target audience.

Generic Building Blocks of Competitive Advantage:

The four generic building blocks of competitive advantage are efficiency, quality, innovation, and responsiveness to customers. Superior efficiency enables a company to lower its costs; superior quality allows it to charge a higher price and lower its costs; and superior customer service lets it charge a higher price. These building blocks allow a company to differentiate its product offerings to provide more utility to customers and/or lower its cost structure.
A Building Block is a package of functionality defined to meet the business needs across an organization. A Building Block has published interfaces to access the functionality. A Building Block may interoperate with other.

5 areas to drive competitive advantage

- MARKETING.
- FINANCE.
- HUMAN RESOURCES.
- LEGAL
- CUSTOMER SERVICE

The six factors of competitive advantage are: Price, location, quality, selection, speed, turn around and service.

There are three different types of competitive advantages that companies can actually use. They are cost, product/service differentiation, and niche strategies.
There are 6 sources of competitive advantage.

- People. People are the driving force behind most competitive advantage.

- Organizational Culture & Structure.
- Processes & Practices.
- Products & Intellectual Property.
- Capital & Natural Resources.
- Technology.

Distinctive competencies:

Distinctive competence refers to a superior characteristic, strength, or quality that distinguishes a company from its competitors. This unique aspect of the company, product, or service is difficult to imitate by the competition and creates a strong competitive advantage.

Distinctive competence refers to a superior characteristic, strength, or quality that distinguishes a company from its competitors. This distinctive quality can be just about anything—innovation, a skill, design, technology, name recognition, marketing, workforce, customer satisfaction, or even being first to market. Via distinctive competency, a company can provide a premier value to customers. This unique aspect of the company, product, or service is difficult to imitate by the competition and creates a strong competitive advantage.

Difference between core competency and distinctive competency:

“A distinctive competency is any capability that distinguishes a company from its competitors. While a distinctive competency can be any competency, core or otherwise, it is typically a core competency that truly distinguishes a company from the rest of the competition.”

Core competence refers to anything that a company does well and is critical to a company’s value-generating activities and overall business performance. This characteristic isn’t necessarily distinctive, however. Likely all competitors in that particular market share the same core competence. It does not set any of the companies in that space apart.

Distinctive competencies enable companies to:

- Increase competitive advantage
- Improve customer delight and loyalty
- Stand apart from competitors
- Be difficult to imitate
- Strengthen strategy

Distinctive competence isn't set in stone, however. Changes and trends in the market will inevitably impact competencies. As a result, companies that build and reconfigure distinctive competencies are poised for long-term success in an ever-changing market place. A distinctive competency is an organization's strengths or qualities including skills, technologies, or resources that distinguish it from competitors to provide superior and unique customer value and, hopefully, is difficult to imitate.

Resources and capabilities durability of Competitive Advantage:

Durability of competitive advantage determines how long the competitive advantage can be sustained and is considered in terms of the ability of competitors to imitate through gaining access to the resources on which the competitive advantage is built. Competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. A firm position itself in its industry through its choice of low cost or differentiation. This decision is a central component of the firm's competitive strategy. The ability to achieve new forms of competitive advantage is referred to as dynamic capabilities. The two terms dynamic and capabilities by itself require in depth understanding while analysing competitive advantage.

Five steps to build durable capabilities:

1. Understand the market and its segments. Look for those niches that aren't well serviced by competitors and can be profitably targeted and sold to.
2. Develop an understanding of what customers really want and establish a value proposition that grabs their attention.
3. Work out the key things that you need to do really well to support and deliver the value proposition. For example, service levels, quality, branding, pricing, etc.
4. Understand what your strengths and core competencies are and how you can use these in innovative ways to provide value to your chosen market.
5. Design your business model to support and deliver the value proposition.

Sustainable competitive advantage is the key to business success. It is the force that enables a business to have greater focus, more sales, better profit margins, and higher customer profile and staff retention than competitors. At its most basic level, there are three key types of sustainable competitive advantage. In most industries there are only four competitive advantages that meet the four definitional criteria, and they are:
innovation,
culture,
customer affinity
and
predictive analytics.

Innovation is the process of converting a novel idea into a unique product, service or experience that delivers value. A Sustainable Competitive Advantage is the backbone of most businesses that are thriving today. Businesses that have understood this and followed a Sustainable Competitive Advantage strategy have remained the market leaders in their industry for a long time.

The idea here is that if a firm is to maintain sustainable competitive advantage, it must control a set of exploitable resources that have four critical characteristics. These resources must be

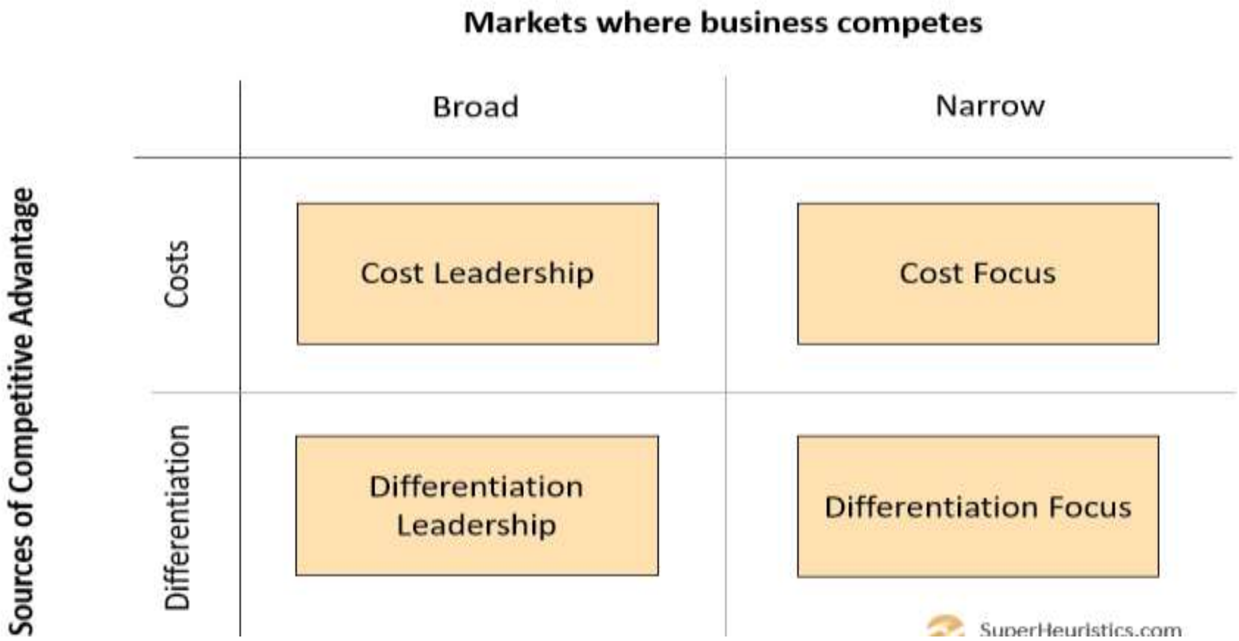
(1) Valuable,
(2) Rare,
(3) Imperfectly imitable (tough to imitate), and
(4) Non substitutable.

The four primary methods of gaining a competitive advantage are

- cost leadership,
- differentiation,
- defensive strategies

and

- strategic alliances.



Sustainable Competitive Advantage:

MOD III:

Strategic alternatives are long term plans that business develop to set their direction. When setting the organizational direction, the human and organizational resource availability will be considered and the goals will be set based on the resource availability.

Types of Corporate Level Strategy – 4 Major Types:

Stability Strategy:

Stability Strategy is a corporate strategy where a company concentrates on maintaining its current market position. A company that adopts such an approach focuses on its existing product and market.

Usually, a company that is satisfied with its current market share or position uses such a strategy. Under the stability strategy, the company usually makes up a plan to move forward either by selling the non-performing segments or by investing in research and development.

- If a firm plans to consolidate its position in the industry in which it is operating.
- In case a country in which the company operates is facing recession or slowdown, and the company wants to save cash rather than spend it for expansion purposes.
- If a company has significant debt or loans, then also it may pursue such a strategy than going for expansion. Following such an approach would ensure that a company has the cash to pay the interest and principal amount as well.
- The industry in which the firm functions have hit maturity, and there is no more scope for growth.
- Another scenario is when the cost of expansion is less than the gains from it.
- If the management is happy with the current market position and the level of profit achieved.
- Risk-averse management may also favour such a strategy.
- A company can also choose this strategy post-merger. In such a case, this strategy allows a smooth transition of the new entity before the company starts making significant changes.
- This strategy could help a company take rest following a fast growth in the past few years. Such a tactic allows the company to consolidate the results and resources and plan its next moves.
- Family-owned businesses may decide to slow down in adverse market condition.

Types of Stability Strategy:

(i) No-Change Strategy:

(ii) Profit Strategy:

(iii) Proceed-With Caution Strategy:

Expansion strategy:

The Expansion Strategy is adopted by an organization when it attempts to achieve high growth as compared to its past achievements.
The expansion strategy is adopted by those firms that have managers with a high degree of achievement and recognition.

Types of Expansion strategies:

- Expansion through Concentration
- Expansion through integration
- Expansion through diversification
- Expansion through co-operation
- Expansion through Internationalisation
- Expansion through digitalisation.

Diversification Expansion Strategy:
Diversification is defined as the entry of a firm into new lines of activity, through internal or external modes. Diversification is the process of entry into a business which is new to an organisation either market-wise or technology-wise or both.

A retrenchment strategy is the process of aggressively cutting costs in ways that have impact to firm's operations and revenue. This is usually done in the context of a turnaround whereby management take drastic steps to prevent an organization from failing.

Types of Retrenchment strategy:

1. Turnaround:
The term 'turnaround' refers to the measures which reverse the negative trends in the performance indicators of the company. It refers to the management measures which turn a sick company back to a healthy one or those measures which reverse the deteriorating trends of performance indicators such as falling market share, falling sales, decreasing profitability, increase in costs, worsening debt equity ratio, getting negative cash flow, severe working capital problems etc. The strategies adopted to come out of crisis vary from case to case and from company to company.

2. In divestitures, the company who has acquired assets and divisions will make an examination to determine whether the assets or divisions fit into overall corporate strategy in value maximization. If it does not serve the purpose, such assets or divisions are hived-off.
Selling a division or part of an organization is called 'divestiture'. It is often used to raise capital for further strategic acquisitions or investments. It is also used rid business units that are unprofitable.

3. Divestment' means pulling out of market. This strategy is followed when activity still continues although at a reduced scale. A company can maximize its net investment recovery from a business by selling it early before the industry enters into a steep decline. Divestment could be selling off a part of a firm's operations or pulling out of certain product from market areas.
A company may like to resort to this strategic option when it desires to release its liquid resources. Divestment may be considered attractive when present worth of expected earnings is less than its present worth. The success of this strategy depends on the ability of the company to spot an industry decline before it becomes serious and sells out while the company's assets are still valued by others.

4. Liquidation:
A business may go into decline when losses are made over several years. The losses are setoff against past profits retained in the business (reserves), but clearly the situation cannot continue for very long. In such case liquidation may be imminent.
In case of technological obsolescence, lack of market for the company's products, financial losses, cash shortages, lack of managerial skills, the owners may decide to liquidate the business to stop further aggravation of losses. With a strategic motive also, a business unit may be liquidated. This strategic option is exercised in a situation where the firm finds the business as unattractive to revive the firm.

5. Captive Company:
A firm which retrenches via backward vertical integration is known as 'captive company'. A firm becomes a captive of another firm when it subjects itself to the decisions of the other firm in return for a guarantee that a certain amount of the captive's product will be purchased by the other firm.
A captive company strategy is followed when:
(a) A firm sells more than 75% of its products or services to a single customer; and
(b) The customer performs many of the functions normally performed by the independent firm.
This strategy may be chosen because of:
(a) The inability or unwillingness to strengthen the marketing or other functions.
(b) The prescription that this strategy is the best means for achieving financial strength.

6. Harvest:
In this strategy, the firm reap maximum out of the existing firm without any additional investment being made. It is asset reduction strategy in which a company limits or decreases its investment in a business and extracts as much investment as possible. Company exits the industry once it has harvested the maximum possible returns it can.
Company halts all new investments in capital equipment, advertising, R&D etc. in order to maximize short to medium term cash flow from the unit before liquidating it. The company resorts to this strategy if the product/market segments demonstrate weak, declining but still positive profitability.
The aim of the business is for a lower market share, which will give the company its best short-run return with a longer term of eventually pulling out of the market. This strategy can be used to gather in funds which can be divested into other fruitful investment.

7. Transformation:
A transformation occurs when a firm makes a major change in its outlook and operations, usually including moving from one kind of business to another. Changes in strategy are usually quite substantial. Such strategies are difficult to implement because they require a great deal of flexibility on the part of the entire organization.

8. Leadership: The objective of this strategy is to establish a firm in a dominant position so that it will essentially have the declining market to itself. This strategy is used by firms in declining industries that involves outstaying all other firms in the industry and becoming a dominant player in the industry. This strategy requires lowering the ‘exit barriers’ that might keep competitors out in the market.
The firm pursuing the leadership position can often help its competitors overcome their exit barriers and thereby move to ensure its emergence as the last survivor.

9. Niche: ‘Niche ‘means concentrating around a product and market. It is a strategy involving very low degree of risk and represents the typical behaviour of the small companies. Such organizations are, in general, scared of growing big, as it could entail them into legal, labour and management problems.

STRATEGIC CONTROL:

Strategic controls are intended to steer the company towards its long-term strategic direction. After a strategy is selected, it is implemented over time so as to guide a firm within a rapidly changing environment. Strategies are forward-looking, and based on management assumptions about numerous events that have not yet occurred.

Traditional approaches to control seek to compare actual results against a standard. The work is done, the manager evaluates the work and uses the evaluation as input to control future efforts. While this approach is not useless, it is inappropriate as a means to control a strategy.

Waiting until a strategy has been fully executed often involves five or more years, during which many changes occur, that have major ramifications for the ultimate success of the strategy. Consequently, traditional control concepts must be replaced in favour of strategic controls that recognise the unique control needs of long-term strategies.

Strategic control is concerned with tracking the strategy as it is being implemented, detecting problems or changes in the premises and making necessary adjustments. In contrast to post- action control, strategic control is concerned with controlling and guiding efforts on behalf of the strategy as action is taking place.

Definition:
Strategic control is related to that aspect of strategic management through which an organization ensures whether it is achieving its objectives contemplated in the strategic action. If not, what corrective actions are required for strategic effectiveness.

Julian and Scifres have defined strategic control as follows:

"Strategic control involves the monitoring and evaluation of plans, activities, and results with a view towards future action, providing a warning signal through diagnosis of data, and triggering appropriate interventions, be they either tactical adjustment or strategic reorientation."
Thus, there are two aspects in strategic control—evaluation of a strategic action and its results and taking necessary corrective actions in the light of this evaluation.

Sometimes, control phase of strategic management is divided into two distinct parts—strategic evaluation and strategic control.
However, because of on-going nature of strategic evaluation and strategic control, both these are intertwined. In practice, therefore, the term strategic control is used which includes evaluative aspect too because unless the results of an action are known, corrective actions cannot be taken.
It is worthwhile to make a comparison of strategic and operational control because the emphasis in both differs though an integrated control system contains both.

Strategic control- 4 major types: Premise, Implementation, Strategic Surveillance and Special Alert Control Experts on strategic management process have identified certain types of strategic controls. According to them, there are four types of strategic controls.

These are:

Type 1. Premise Control:

Every strategy is founded on certain assumptions relating to environmental and organisational forces. Certainly some of these forces or factors are very sharp and any change in them is sure to affect the strategy to a great extent. Hence, premise control is a must to identify the key postulations and keep track of any change in them in order to assess their impact on strategy and, therefore, its implementation.

For example, these presumption may relate to changing government policies, market competition. Change in composition due to sudden killing virus or widespread war conditions or natural calamities and organisational factors such as improvising production technology, VRS scheme to get high tech employees, market innovation strategies.

Here, premise control serves to test continuously these assumptions to determine whether they are still valid or not. This facilitates the strategists to take necessary corrective action at the right time than just pulling on with the strategy based on vitiated or invalid postulations.

The responsibility for premise control is generally assigned to the corporate planning department that identifies the key assumptions and keep a regular check on their validity.

Type 2. Implementation Control:

In order to implement a chosen strategy, there is need for preparing quite good number of plans, programs and projects. Again resources are allocated for implementing these plans, programs and projects. The purpose of implementation control is to evaluate as to whether these plans, programs and

projects are actually guiding the organisation towards its pre-determined goals or not.
In case it is felt, at any time, the commitment of resources to a plan, program or project is not yielding the fruits as expected, there is need for matching revision. That is implementation control is nothing but rethinking or strategic rethinking to avoid wastes of all kinds.
One way of using implementation control may to identify and monitor the strategic beat points or throb points such as an assessment of marketing success of a new product after pretesting or checking the feasibility of a diversification programme after preliminary attempts at seeking technological collaboration.
In the first case, the company is to evaluate whether the new product launch will really benefit or it should be forgone in favour of another programme. In second case, implementation control helps to ascertain whether a diversification move is going to succeed or not.
Another tool of implementation control is the milestone reviews through which critical points in strategy implementation are identified in terms of events, major resource allocation, or even time.
This is almost similar to identification of events and activities in Programme Evaluation Review Technique (PERT)/Critical Path Method (CPM) networks. Once the milestones are identified, a comprehensive review of implementation is made to reassess its continued relevance to attain the objectives.

Type 3. Strategic Surveillance:
If premise and implementation strategic controls are more specific by nature, strategic surveillance, is more generalised and overriding control which is designed to monitor a broad range of events both inside and outside the organisation which are likely to threaten the very course of a firm's strategy.
Such strategic surveillance can be done through a broad- based, general monitoring based on selected information sources to uncover events that are likely to affect the strategy of an organisation.
Professor David A. Aker, in his book "Developing Business Strategies—Published by John Wiley and Sons of N.Y in 1984 P. 128, suggests a "formal yet simple strategic information scanning system which can enhance the effectiveness of the scanning effort and preserve much of the information now lost within the organisation."

Type 4. Special Alert Control:
This special alert control is based on a trigger mechanism for a rapid response and immediate reassessment of a given strategy in the light of a sudden and unexpected event. Special alert control can be exercised via the formulation of

contingency strategies and assigning the responsibility of handling unforeseen events to crisis management teams.

The instances of such sudden and unexpected events can be say, sudden fall of government at centre or even state, terrorist attacks, industrial disaster or any natural calamity of earthquake, floods, fire and so on.

The purpose of strategic control is to identify whether the organization should continue with its present strategy or modify it is the light of changed circumstances. Operational control should assist the organization to be both efficient and effective, and in this way help the chosen strategy to work successfully.

The basic forms of control are concerned with physical systems, so that for example a wall thermostat may be control the central healing system of a house. If the room temperature fall below the desired temperature set on the thermostat, the boiler in started so that water in the radiators is heated and the temperature rises to desired level.

Many of the quality control processes within companies are physical control mechanisms/designed to indicate whether or not a particular physical process is operating at a desired level of efficiency. At the end of a manufacturing process, for example, a commodity can be checked to see if it operates art it should.

If it is rejected, it can be scraped reworked. It is obviously better to discover any faults at an earlier stage, and the usual method is to sample units of the product in order to check that they confirm to the agreed specifications! Modern Control techniques are based on an ‘ever free’ or ‘zero-defect’ approach and ‘doing it right first time’. At a strategic level, quality can be built into the planning of the product or service, so that it confirms to design specifications and processes are introduced to get it right time.

These process controls are also applied to people in attempting to assess those parts of their work which can be measured. For example, salesmen are subject to sales targets which may be in terms of the number of sales or their value. Doubled lazing sales are often based on this system, so that the people employed to make the initial approach to households may be rewarded according to the number of sales interviews they arrange.

The salesmen are then paid according to the value of the sales they make. In a similar way, the work of people in telesales can be monitored by a central control system so that the number of calls per hour or per day and the number of successes can be measured precisely.

More general control methods used in organization to encourage on high level of efficiency and effectiveness in employees in include Quality Assurance (QA) and QUEST (Quality in Every Single Task). QA supports teams of employees with systems and resources to help them understand the quality characteristics of their products and services and to undertake quality controls.

QUEST is based on the idea that every individual or group in an organization is both a customer and a supplier to other people in the organization; and considers how best they can meet the needs of their 'customer' and 'suppliers' Key Result Area (KRA) is a technique aimed at focusing on realistic outcomes for each team or individual by identifying a range of quality characteristics for the team which are consistent with the company's strategy, and the agreeing realistic standards for each of these quality characteristics and devising a system which can be measured and monitored.

Total Quality Management (TQM) is based on the idea that managers are so some of their objectives, within a broad version, that all employees in the organization have both-a clear focus on their aims and goals and an understanding of the context in which they are working as well as taking responsibility for work over which they have control.

Quality improvement and accountability then become a question of peer pressure within the 'internal customer' framework and quality improvement is a responsibility in which everyone actively participates "strategic control can be described as the continuous critical evaluation of plans, inputs, processes and outputs to provide information for future action" controls are concerned with what has happened but are also aimed at anticipating what may happen.

The control of manufacturing processes by sampling and testing the products occurs after the processes have taken place. Control applied through the company culture and by quality assurance systems are attempts to provide a situation where problems are anticipated.

For example, public relations is both about the quality of the relationships with customers and others, and is also about the way of achieving favorable relationships Publicity and public relations attempts to maintain the reputation of an organization and to enhance it, so that it is not just concerned with reacting to problems but also with encouraging an environment that enables the organization to work through problems without losing its good reputation.

For example some toilets soaps have strong reputation for being reliable and when a particular brand soap proves to be unreliable this is the 'example that proves the rule' in the sense that it is seen to be very unusual and therefore does not dent the reputation of the company.

In order to exercise Strategic control, managers have to take four steps.
These steps are:
1. Setting performance standards,
2. Measuring actual performance,
3. Analysing variance, and
4. Taking corrective actions.

1. Setting Performance Standards:
Every function in the organizations begins with plans which specify objectives or targets to be achieved. In the light of these, standards are established which are criteria against which actual results are measured. For setting standards for control purposes, it is important to identify clearly and precisely the results which are desired. Precision in the statement of these standards is important.
After setting the standards, it is also important to decide about the level of achievement or performance which will be regarded as good or satisfactory. The desired level of performance should be reasonable and feasible. The level should have some amount of flexibility also, and should be stated in terms of range—maximum and minimum.

2. Measuring Actual Performance:
The second major step in control process is the measurement of performance. The step involves measuring the performance in respect of a work in terms of control standards. The presence of standards implies a corresponding ability to observe and comprehend the nature of existing conditions and to ascertain the degree of control being achieved.
The measurement of performance against standards should be on a continuous basis, so that deviations may be detected in advance of their actual occurrence and avoided by appropriate actions. Appraisal of actual or expected performance becomes an easy task, if standards are properly determined and methods of measuring performance can be expressed explicitly.

3. Analysing Variance:
The third major step in control process is the comparison of actual and standard performance. It involves two steps – (i) finding out the extent of variations, and (ii) identifying the causes of such variations. When adequate standards are developed and actual performance is measured accurately, any variation will be clearly revealed. When the standards are achieved, no further managerial action is necessary and control process is complete.
However, standards may not be achieved in all cases and the extent of variations may differ from case to case. When the variation between standard and actual

performance is beyond the prescribed limit, an analysis is made of the causes of such a variation. For controlling and planning purposes, ascertaining the causes of variations along with computation of variations is important because such analysis helps management in taking up proper corrective actions.

4. Taking Corrective Actions:
This is the last step in the control process which requires that actions should be taken to maintain the desired degree of control in the system or operation. An organization is not a self-regulating system such as thermostat which operates in a state of equilibrium put there by engineering design. In a business organization, this type of automatic control cannot be established because the state of affairs that exists is the result of so many factors in the total environment. Thus, some additional actions are required to maintain the control.

Such actions may be on the following lines:
a. Improvement in the performance by taking suitable actions if the performance is not up to the mark; or
b. Resetting the performance standards if these are too high and unrealistic; or
c. Change the objectives, strategies, and plans if these are not workable.

In an organization, control may be exercised at three stages of an action – (i) evaluation of inputs and taking corrective actions before a particular sequence of operation of an action is completed, known as feed forward control; (ii) evaluation of the action and taking corrective actions during the operation of the action, known as concurrent, real-time, or steering control; and (iii) evaluation of results of the action taking corrective actions after the action is completed so that the same type of action produces desired results in future, known as feedback control.
Traditionally, control has been based on feedback control, known as operational or management control. However, many management experts have questioned the efficacy of feedback control in the dynamic environment in which businesses operate.
In order to overcome this problem, they have suggested strategic control which operates on the principle of feed forward and concurrent control taking into account the changing assumptions, both external and internal, on which a strategy is based, continually evaluating the strategy as it is being implemented, and taking the corrective actions to adjust the strategy according to changing conditions or taking necessary actions to realign strategy implementation.
For strategic control, the following questions are relevant:

1. Are the premises made during the strategy formulation process proving to be correct?
2. Is the strategy being implemented properly?
3. Is there any need for change in the strategy? If yes, what is the type of change required to ensure strategic effectiveness?
Operational control focuses on the results of strategic action and is aimed at evaluating the performance of the organization as whole, different SBUs, and other units.
The relevant questions for operational control are:
1. How is the organization performing?
2. Are the organizational resources being utilised properly?
3. What are the actions required to ensure the proper utilisation of resources in order to meet organizational objectives?
Strategic control and operational control both differ from each other in terms of their aim, main concern, focus, time horizon, and techniques used.

Strategic control, though very important phase of strategic management is often overlooked by strategists on the premise that once they have formulated a strategy and implemented it, their role in strategic management is over. They remain mired with daily control reports which can be taken even at lower levels. This approach may be alright when there is not high stake involved in a strategy but fatal when the stake is high. Without strategic control, strategists have no means to measure whether the chosen strategy is working properly or not.
When strategic control is undertaken properly, it contributes in three specific areas:
1. Measurement of organizational progress,
2. Feedback for future actions, and
3. Linking performance and rewards.
1. Measurement of Organizational Progress:
Strategic control measures organizational progress towards achievement of its objectives. When a strategy is chosen, it specifies the likely outcomes which are relevant for achieving organizational objectives. The strategy is not an end in itself; it is a means for achieving something valuable to organizational success.
Therefore, measuring this success as a result of strategy implementation is a prime concern for every strategist. This measurement should be undertaken during the process of strategy implementation as well as after implementation to ensure the progress as quickly as possible so that remedial actions are taken at appropriate time.
2. Feedback for Future Actions:

Strategic management being a continuous process with no apparent beginning and end, control provides clues for recycling various actions which are relevant for achieving organizational objectives. This is possible only when strategic planning and control are well integrated.

Thus, control activities are undertaken in the light of criteria set by a strategic plan. But at the same time, control provides inputs either for adjusting the same strategic plan or taking future strategic plans. This is the way organizations progress over the period of time. They take a strategic action, implement it, and find its results. If the results are in tune with what were intended, the similar types of strategic actions are taken in future. Thus, there is a chain of strategic plan, actions, and control.

3. Linking Performance and Rewards:

This is the most crucial aspect of strategic control but many organizations fail in linking performance and rewards. This happens not only at the level of different organizations but even for a country as a whole. For example, Abegglen has observed that “the dispension of part of the rewards by the organizations without regard to performances is more common in the less modern parts of the country than in the more advanced ones, and in less developed than in more developed countries. It is one of the reasons why organizational control is less effective in less developed countries.”

Thus, linking performance and rewards is a big issue. If taken objectively, control provides inputs for relating performance and rewards. This linking is vital for motivating organizational personnel more so in an era when there is not only fight for market share but for human talent too. A performance-based motivation system works better than the one which considers factors other than performance.

Since strategic control is a part of strategic management process, all those persons who participate in strategy formulation and implementation should also participate in strategic control, except those who act in advisory capacity. Board of directors, chief executive, other managers, corporate planning staff, and consultants participate in strategic management process. Out of these, corporate planning staff and consultants act either advisors or facilitators.

Thus, three groups of personnel are actively involved in strategic control though their areas of control differ. In some cases, outside agencies like financial institutions or government, mostly in the case of public sector enterprises, also participate in strategic control either through their participation in board of directors or having power to interfere with management practices. However, the role of financial institutions in strategic control is quite limited except through their nominees on board of directors.

In the case of public sector enterprises, the role of government in strategic control is performed through nomination of board members and through controlling ministries of particular enterprises. In some specific situations, authorities may be constituted at above the board level to evaluate the performance of group companies.

For example, Tata Group has set up Group Executive Office (GEO) and Business Review Committees (BRCs) to review the performance of group companies numbering about one hundred. If we exclude these cases, the role of board of directors, chief executive, and other managers in strategic control is quite significant.

1. Role of Board of Directors:

Board of directors of a company, being the trustee of shareholders' property, is directly answerable to them. Thus, board should be directly involved in strategic control. However, since board does not participate in day-to-day management process, it evaluates the performance of the company concerned after certain intervals in its meetings. Therefore, the role of board of directors is limited to controlling those aspects of the organizational functioning which have long-term implications.

Such aspects are overall financial performance, overall social concern and performance, and certain key management practices having significant impact on organization's long-term survival. Generally, the control information used by the board is concise but comprehensive as compared to control reports used at lower levels.

2. Role of Chief Executive:

The chief executive of an organization is responsible for overall performance. Therefore, his role is quite crucial in strategic control. Though he is not involved in evaluation of routine performance which is left to other managers, he focuses his attention on critical variations between planned and actual. Generally, he applies the principle of management by exception which is a system of identification and communication of that signal which is critical and needs the attention of a high-level manager.

Depending on the size of the organization, the chief executive's role varies in the context of control on day-to-day basis. In a smaller organization, the chief executive may, perhaps, be interested in daily production and cost figures, but in a large organization, these become unimportant for him from his control point of view. Thus, in a large organization, the chief executive is more involved on controlling through return on investment, value added, and other indicators which measure performance of overall organization.

3. Role of Other Managers:
Besides board of directors and chief executive, other managers are also involved in strategic control. These are finance managers, SBU managers, and middle-level managers.
Their role in strategic control is as follows:
i. Finance managers are primarily concerned with finding out deviations between planned and actual performance expressed in monetary terms. These are done through financial analysis, budgeting, etc.
ii. SBU manners are responsible for overall control of their respective strategic business units. In fact, they are the chief executives of their own SBUs except that they report to the chief executive of the organization from whom they seek directions.
iii. Middle-level managers, mostly functional managers and sub-unit managers, are responsible for control of their respective functions and sub-units. These managers are more concerned with day-to-day operational control and prepare reports to be used by higher-level managers. For example, a production manager is more interested in controlling production volume, production cost, product quality, etc.

Strategic control operates in the context of various organizational systems. An organization develops various systems which help in integrating various parts of the organization. The major organizational systems are – information system, planning system, development system, appraisal system, and motivation system. All these systems play their role in strategic control. Some of these systems are closely and directly related and some are indirectly related to control.
For example, information system is closely linked to evaluation as it provides clue as to how the organization is progressing. Development system, on the other hand, is not closely linked to evaluation system but undertaken as a post-control action. In the light of this, let us see how various organizational systems play their role in strategic control.
1. Information System:
Control action is guided by adequate information from the beginning to the end. Management information and management control systems are closely interrelated; the information system is designed on the basis of control system. Every manager in the organization must have adequate information about his performance, standards, and how he is contributing to the achievement of organizational objectives. There must be a system of information tailored to the

specific management needs at every level, both in terms of adequacy and timeliness.

Information system ensures that every manager gets adequate information. The criterion for adequacy of information to a manager is his responsibility and authority, that is, in the context of his responsibility and authority, what type of information the manager needs. This can be determined on the basis of careful analysis of the manager's functions. If the manager is not using any information for taking certain action, the information may be meant for informing him only and not falling within his information requirement.

Thus, an effective control system ensures the flow of the information that is required by an executive, nothing more or less. There is another aspect of information for control and other functions, that is, the timeliness of information. Ideally speaking, the manager should be supplied the information when he needs it for taking action. For correcting the deviation, timely action is required by the manager concerned.

For this purpose, he must have the information at proper time and covering the functioning of a period which is subject to control. The control system functions effectively on the basis of the information which is supplied in the organization. However, the information is used as a guide and on this basis, a manager identifies what action can be taken.

2. Planning System:

Planning is the basis for control in the sense that it provides the entire spectrum on which control function is based. In fact, these two terms are often used together in the designation of the department which carries production planning, scheduling, and routing. It emphasises that there is a plan which directs the behaviour and activities in the organization. Control measures these behaviour and activities and suggests measures to remove deviation, if any.

Control further implies the existence of certain goals and standards. These goals are provided by the planning process. Control is the result of particular plans, goals, or policies. Thus, planning offers and affects control. Not only that, the planning is also affected by control in the sense that many of the information provided by control is used for planning and re-planning. Thus, there is a reciprocal relationship between planning and control.

Since planning and control systems are closely interlinked, there should be proper integration of the two. This integration can be achieved by developing consistency of strategic objectives and performance measures. Prescribing performance measures which are strategically important is quite significant because often it is said "what you measure is what you get." In developing performance measures, two considerations must be taken into account.

First, the performance measures should focus on whether short-term profitability, or growth and technological ascendancy, or logistic efficiency, or some other objectives should be of primary concern. Second, the measures should relate to the managerial domain of each of the managers as each of them is responsible to exercise control in his own domain.

3. Development System:
Development system is concerned with developing personnel to perform better in their present positions and likely future positions that they are expected to occupy. Thus, development system aims at increasing organizational capability through people to achieve better results. These results, then, become the basis for control.

4. Appraisal System:
Appraisal or performance appraisal system involves systematic evaluation of the individual with regard to his performance on the job and his potential for development. While evaluating an individual, not only his performance is taken into consideration but also his abilities and potential for better performance. Thus, appraisal system provides feedback for control system about how individuals are performing.

5. Motivation System:
Motivation system is not only related to control system but to the entire organizational processes. Lack of motivation on the part of managers is a significant barrier in the process of control. Since the basic objective of control is to ensure that organizational objectives are achieved, motivation plays a central role in this process. It energises managers and other employees in the organization to perform better which is the key for organizational success.

In putting the control process in operation, two basic issues are involved- what to control and how to control. The first issue is related to the identification of those factors on the basis of which degree of business success is determined. The second issue involves the use of various control techniques. The first issue is taken here while the second issue will be taken later.

The success of any organization, whether business or non-business, is measured in terms of its objective achievement. Since an organization may pursue a number of objectives simultaneously, and these may be expressed in different forms, there are a number of criteria which are used for control.

These criteria are grouped into three categories:
1. Causal factors
2. Intervening criteria and
3. End-result criteria.

1. Causal Factors:
Causal factors are those that influence the course of development in an organization. These are independent variables and affect intervening criteria and through these, end-result criteria. For example, strategy formulation and its implementation affect various product, customer, and personnel related criteria. These, in turn, affect different end-result criteria which are used, generally, to measure business performance.

2. Intervening Criteria:
Intervening criteria are those factors which are reflected as the internal state of the organization. These are caused by causal factors and, therefore, cannot be changed independently except by changing causal factors; in this case, type of strategy and its implementation.
For example, personnel attitudes and morale, an intervening criterion, cannot be changed unless there is a suitable change in organizational design, systems, and leadership— all being elements of strategy implementation. Intervening criteria are, generally, grouped into three categories- product, customer, and personnel related.
An illustrative list of intervening criteria is given below:
i. Product-Related Criteria:
a. Product quality and performance
b. Product cost and price
c. New products introduced
ii. Customer-Related Criteria:
a. Customer service
b. Customer satisfaction
c. Customer loyalty
iii. Personnel-Related Criteria:
a. Attracting and retaining human talent
b. Personnel ability and skills
c. Personnel motivation and attitudes to work

3. End-Result Criteria:
End-result criteria are those factors which are caused by causal and intervening factors and are often in terms of the criteria in which organizational success is

measured. These factors are highly dependent and, therefore, cannot be changed except by changing the factors responsible for these. End-result criteria are grouped into two broad categories- financial performance and social performance.

Given below is the illustrative list of these criteria:
i. Financial Performance:
a. Rate of growth –
(a) Sales growth
(b) Asset growth
(c) Market share
b. Profitability
(a) Profit-sales relationship
(b) Return on investment
c. Shareholder value

ii. Social performance:
Degree of satisfaction of various stakeholders.
After identifying various control criteria, let us see what criteria are adopted in practice. First, we shall see what criteria a business publication uses for measuring performance of various companies. This will be followed by criteria used by two leading companies.
Financial Express, a daily financial newspaper, uses the criteria for selecting the best company of the year.
i. Psychological barriers and
ii. Lack of direct relationship between performance and rewards.

i. Psychological Barriers:
Managers are seldom motivated to evaluate their strategies because of the psychological barriers of accepting their mistakes. The strategy is formulated by top management which is very conscious about its sense of achievement. It hardly appreciates any mistake it may commit at the level of strategy formulation. Even if something goes wrong at the level of strategy formulation, it may put the blame on the operating management and tries to find out the faults at the level of strategy implementation.

This over-conscious approach of top management may prevent the objective evaluation of whether correct strategy has been chosen and implemented. This may result in delay in taking correct alternative action and bringing the organization back at satisfactory level. This happens more in the case of retrenchment strategy, particularly divestment strategy where a particular business has failed because of strategic mistake and in order to save the organization from further damage, the business has to be sold.

ii. Lack of Direct Relationship between Performance and Rewards:
Another problem in motivation to evaluate strategy is the lack of direct relationship between performance achievement and incentives. It is true that performance achievement itself is a source of motivation but this cannot always happen. Such a situation hardly motivates the managers to evaluate their strategy correctly. This happens more in the case of family-managed businesses where professional managers are treated as outsiders and top positions, particularly at the board level, are reserved for insiders.

Naturally, very bright managers are not motivated to evaluate correctness or otherwise of their strategy. The family managers of such organizations are even more prone to psychological problem of not evaluating their strategy and admit their mistakes.

Thus, what is required for motivating managers to evaluate their performance and strategy is the right type of motivational climate in the organization. This climate can be set by linking performance and rewards as closely as possible. This linking is required not only for the top level but for the lower down in the organization too. Many forward-looking companies, though few in number, have taken this step when they have adopted the policy of taking board members from outside their families and friend groups.

These companies have taken this step not only to satisfy the requirements of financial institutions of broad basing the directorship but they have taken this step to motivate their top-level managers. Naturally, top managers in such companies can take any step to fulfil the organizational requirements including the evaluation of their strategy.

2. Operational Problems:
Even if managers agree to evaluate the strategy, the problem of strategic evaluation is not over, though a beginning has been made. This is so because strategic evaluation is a nebulous process; many factors are not as clear as the managers would like these to be. These factors are in the areas of determination of evaluative criteria, performance measurement, and taking suitable corrective actions. All these are involved in strategic control. However, nebulousness

nature is not unique to strategic control only but it is unique to the entire strategic management process.

Power of Conflict Techniques of strategic evaluation & control-case study
Without a go-to conflict resolution technique for your workplace, two very different individuals may have a hard time communicating while under stress. That's why it's essential for managers and employees alike to understand each team member's typical way of handling conflicts, as well as how to implement conflict resolution techniques. But is there a right way to address conflict in the workplace? As it happens, there are five different "personalities" or techniques people use when faced with conflict: avoidance, competition, accommodation, compromise and collaboration. The way you handle conflict may feel totally normal to you but foreign to another person, so there's only one ideal solution: collaboration.

As a manager, you manage not only projects but also personalities. Sometimes, strong personalities can lead to tension that ultimately affects the success of the project. It's in everyone's best interest to successfully handle conflict at work. Read on to learn about the difference between these two conflict resolution techniques, why collaboration is ideal and how to implement conflict-resolution strategies in the workplace for the best outcomes.

The Relative Nature of Conflict and Its Resolution

Personality and upbringing influence the way we handle conflict. Think about it this way. In some households, it's completely normal to walk away from conflict and never bring it up again. In other families, problems are discussed rationally until a compromise is reached, while some families resolve their problems with dramatic flair.

Imagine having three team members who were each raised in a different one of these environments. One is going to walk away, another is going to attempt to have a conversation and the third might raise her voice and become emotional. Each one thinks they're handling conflict in a normal way and views the behavior of the other two co-workers as odd. Conflict management's definition is an attempt to bring everyone on the same page with a process for addressing difficult scenarios. However, for these techniques to be successful, each employee must be trained in the process to give everyone common ground.

Understanding Your Team's Makeup

The first conflict resolution strategy involves getting into a team huddle to discuss conflict management before a problem occurs. While workplace

conflicts can happen between employees and upper management or employees and customers, most conflicts occur between employees who spend most of their time together. Ask everyone to think about how they are most comfortable handling conflict in their daily lives. Common ground might exist already.
Five common conflict resolution behaviors are:

- Avoidance
- Competition
- Accommodation
- Compromise
- Collaboration

Avoiding the Conflict

Avoidance involves walking away and ignoring the conflict entirely, doing nothing that might be perceived as rocking the boat. This feels safe to the individual but does not solve the problem. The problem might even worsen if it's left unaddressed.

In a team setting, one person may pick up the slack of a co-worker who avoids conflict, which can lead to frustration and resentment. If everyone on the team has an avoidance strategy, productivity is low when a problem arises because no one wants to step up to the plate.

It's easy for someone who leans toward this conflict resolution style to accommodate another person's wishes because they'd rather agree with someone to resolve the conflict. However, their needs don't get met this way, which can cause problems down the road.

Competing to Win Conflicts

Some people view conflict as a chance to win. They have no interest in compromising, collaborating or avoiding the conflict. They want to get their way and aren't afraid to assert their opinions.

In a team environment, a competitive attitude toward conflict can easily slide into bullying. It can also cause frustration among co-workers who don't feel like their points of view are taken seriously. As frustration builds, co-workers can end up taking a competitive approach to conflict resolution, and the problem escalates.

Compromise represents the only option that allows someone with this mindset to win, although settling on a compromise can still involve a power struggle.

Accommodating the Other Person

Team members who aren't necessarily afraid to talk through conflict may nonetheless never have any demands of their own. Instead, they bend over backward to accommodate the other person's demands and iron out the conflict.

An accommodating conflict resolution technique does not allow all viewpoints or information to be brought to the table. Accommodating people inevitably hold back their frustration or downplay their feelings. Over time, this can cause frustration to build and leads to an expectation among the assertive co-workers that they'll always get their way.
Ideally, accommodating people can be encouraged to state their needs during conflict management sessions to move toward collaboration.

Compromising During Conflicts

A compromising conflict resolution strategy aims to settle on a solution that's deemed fair. Everyone works together, so no one completely gets their way. Instead, each team member makes a sacrifice to ensure everyone has a small consolation prize.

Compromise sounds excellent at the outset, but a solution that's fair is not always a solution that's effective. This conflict resolution strategy is still too focused on competition and misses a major point: What does each person need? That's where collaboration comes into play.

Collaborating to Find a Solution

Collaboration maximizes the assertiveness and cooperation capabilities of each team member. Everyone speaks up to state their needs, and after the full picture has been painted, the team cooperates to do what's necessary to meet everyone's needs to the greatest extent possible. Everyone leaves happy. Of course, collaboration may not always be possible, but it's worth striving for. Too often, conflicts arise due to misunderstandings and poor communication. If everyone on the team is willing to state their needs and help meet the needs of others, a truly collaborative environment is born.

Coaching Your Team Toward Collaboration

After you have your team together and understand the kind of conflict resolution technique each person typically falls back on, you can give them personalized guidance in what they need to do to collaborate at work. Some team members may need to be more assertive, and others may need to be more cooperative. You can act as a mediator in the early stages and help individuals through the process.

In theory, each person involved in the conflict states their needs. After that, they brainstorm a resolution that meets those needs. When both parties agree on the resolution, it's time to implement it. As time goes on, your team will become comfortable enough with the process to handle it themselves, seeking your guidance only when they feel stuck.

However, the process is not straightforward in practice. Real-life is messy, and real people are emotional. You should set some ground rules to make sure conflict management sessions remain focused and don't spiral into finger-pointing behavior.

Ground Rules for Conflict Resolution Techniques

Give your team some autonomy in this process by allowing them to give input on the ground rules. The list doesn't need to be long, but it needs to cover what co-workers expect from each other when there's a problem. Set this up ahead of time, before anyone loses their cool due to a conflict.
For example, "I" language is recommended for conflict management instead of "you" or "they," which typically precedes a statement of blame. Instead, if team members focus on saying "I," they take ownership of the situation and narrow in on what they can do to solve it. Another ground rule might be to only focus on the issue at hand and not to bring up past examples of similar problems. This allows the conversation to remain solution-oriented.

After all, the goal of conflict resolution in the workplace is to help everyone do their job. There's no point in turning a conflict into a personal vendetta. Not every decision is a personal strike against someone. For successful conflict resolution, focus on the job and what's needed to accomplish it.

The Manager's Role in Conflict Resolution

Although you should train your employees to handle conflict according to the guidelines established as a company or team, you play a pivotal role as a manager in curtailing conflict and resolving it. Have you ever considered that you may inadvertently create conflict within your team? Success starts with giving clear instructions and ensuring your team understands your expectations. Be as specific as you can when assigning tasks and covering the who, what, when, where, why and how. Be sure not to trespass into micromanagement territory when you do.

Learn how to be an active listener. Listen with the intent to understand, not to reply, and use your body language to show the speaker that you are attentive and following along. Remain professional and unbiased in all of your interactions to earn and maintain the respect of your team. Avoid meeting with people individually. Group meetings ensure there are no doubts about special treatment behind closed doors.

If there's a chance that someone might misconstrue your message or tone in an email, pick up the phone. If you're setting unreasonable deadlines and creating a bottleneck somewhere, fix it. You might not realize that you contributed to a problem until you're mediating a conflict resolution session, in which case you should speak up and state your own needs and become an active participant in the collaboration session. Bring in someone else to act as the mediator if needed, as this will showcase your integrity and earn your team's respect.

Know When to Take a Break

Sometimes everyone needs to take a break before they can come together, follow the ground rules and collaborate to get things done. If you feel like emotions are running higher than normal, suggest that everyone take a 10-minute break to let off some steam before beginning the conflict resolution session. A brisk walk outside, some alone time listening to music or deep breathing techniques can calm nerves.

It can also be helpful to encourage people to take their time responding during the moment. Give everyone a turn to speak during which they are not interrupted. This gives them some time to gather their thoughts and truly respond, not knee-jerk react, to what has been said. It also prevents a strong personality from dominating the session.

Finally, if you notice that you're spending an inordinate amount of time resolving conflicts, especially those involving the same people, you may need to ask for help. Someone higher up in the company may have more conflict resolution experience and can guide you, or you can consult with a conflict management coach. However, as much as you try to solve conflicts, sometimes, you may end up trying to fit a square peg in a round hole. A position on a different team in the company might work out better for an employee who can't get along with a current team member.