CHAPTER-2
LITERATURE REVIEW

It is not only customary but absolutely necessary to review the literature pertaining to problem in hand. This ensures that the researcher is getting lot many cues to shape his/her own study. The researcher further can judge if he/she is going in right direction with his/her own research or not. Needless to say novelty of the present research can also be judged by such reviewing exercise. The reviewed literature pertaining to problem in hand is as follows:

2.1 STRATEGIC INCLINATION AND ITS SIGNIFICANCE TO CORPORATE SECTOR

Strategy is a pattern of purposes or goals and crucial policies and plans for achieving those objectives, express in such a manner as to define what business the company is in or is to be in and the kind of company it is or is to be (Andrews, 1971). Strategy, in fact is a plan to guide future actions, choices and decisions towards some objective (Sloan 2005). Strategy is also referred to as the determination of the basic long-term goals and objectives of the enterprise and the adoption of courses of action and allocation of resources necessary for carrying out those goals (Chandler, 1962).

Strategy is what culminated into the broad framework of strategic management. Keeping a strategic inclination is now a days considered extremely crucial for survival and growth of business (Thomson and Strickland, 2003; Kumar, 2010). It has been argued that the process of strategic management affects a firm’s ultimate success or failure more than any other factors (Porth, 2003). The prominent advantages of keeping strategic inclination are as under:

- Strategic Inclination enables the firm to develop a future direction. This direction creates value for the firm and leads to its success (Porth, 2003)
- Strategic inclination helps the companies in identifying opportunities and threats in the external environment and helps them to do better than competitors (Adebis, 2011).
• Strategic Inclination is also seen as improving the performance of the companies sustainably (Powell, 1992).

• Strategic inclination helps the organisations in creating and sustaining competitive edge (Dess, et al, 2005).

• Strategic inclination has become critical for executives in coping with the complex and rapidly changing global environment (Cravens et al, 2010).

• Strategic inclination helps the organisations in adopting contingency approach and hence ensuring better utilization of resources (Galbreath, 1973 and Venketraman and Prescott, 1990).

(Schoemaker and Amit 1993; Dierickx and Cool 1989). (Dierickx and Cool 1989, Hitt et al. 2001; Nanda 1996) also classify resources such as brand name, customer loyalty, firm-specific human capital, technical know-how and employee skills as strategic.

Strategies in organizations can be classified into three levels: corporate, business and functional (Wheelen and Hunger, 1995). Corporate strategies focus on all businesses in an organization as a whole. Corporate strategies embody three general orientations: growth, stability and retrenchment. At the business level, the strategy aims to achieve competitive advantage in a particular market. And, finally, the functional or operational strategies are concerned with how each part of the organization delivers value to the business and corporate level. R. Duane Ireland and Michael A. Hitt (1999) has opined that CEOs who apply practices associated with 21st century strategic leadership can create sources of competitive advantage for their organizations.

Hambrick and Mason (1984), ‘upper echelons theory’ showed how top management teams’ background and beliefs shaped strategy. And the ‘rugged landscape’ literature (Rivkin and Siggelkow 2003, Levinthal 1997) considered, among other things, that how’s organizational structure and processes affect the search for an optimal position. Managers of hi-tech firms determine vision and goals and they monitor reaching of these goals (Eva Tomaskova, Alena Kopfova, 2010). New high-technology ventures, whose management teams possessed more functional experience in the area most closely linked to their choice of competitive
strategy, were more successful in their cooperative activities chosen to support that strategy (Michael J. Dowling, Jeffrey E. McGee, William L. Megginson, 1995).

The overall strategic direction for an enterprise, which reflects top managers’ crude strategic intentions, has noticeable impact on the business development at operating levels of a complex firm. The strategy making in the organisations is iterative process (Tomo Noda and Joseph L. Bower, 1996). Strategic Plan should allow some degree of flexibility to fit with the changing environment. Many scholars agree that a strategic plan needs to be realistic, simple and neither too ambitious nor insufficiently demanding (Aldehyyat et al., 2011, Leggate & Thompson, 1997).

2.2 STRATEGIC INTENT:

Strategic intent refers to the purpose or motive the organisation strive for. The strategic intent could be in the form of a vision and mission statement for the organisation. Mission statements are broadly believed to be base to any strategy formulation process (Wheelen and Hunger, 1998). The mission of an organization represents the reason for existence and for creating value for society. More fundamentally, mission statements are supposed to move on the path of success as a purpose of an organization in line with the values and perception of stakeholders and should give answer the questions: “what business are we in?” (Drucker, 1973) and (Johnson et al., 2008) “what is our business for?” Mission statements are said to do a good job in capturing corporate level strategy in terms of scope, boundaries and value creation (Johnson, 2008; David; 1993). Mission statements have been reported as a broad framework around which other strategic aspects like vision, strategic intent and capabilities, behavioral standards, goals, core values, objectives, business models etc evolve (Campbell and Tawadey, 1992). The literature is inundated with those scholars who believe that before writing a mission statement, leaders in the organization essentially have an idea of what is in store for the future and thus the vision is the foundation for the mission statement. The vision provides a strategic direction, which is the springboard for the mission and related goals. Whilst this element of discussion exists, there is very intense consensus about the future orientation of a vision statement as opposed to that of a mission statement. Practically no organization wants to remain static; it is not uncommon to come across what is often referred to as a “dream” that a founder of an organization has. A
vision is meant to evoke powerful and compelling mental images of the desired future states of their organizations. “Dreaming” and aspirations about tomorrow is a defining tenet of entrepreneurial organizations as well as those organizations whose strategy formulation process could be described as entrepreneurial according to Mintzberg and Waters (1985). (Sufi and Lyons, 2003) Vision statements are supposed to be challenging and ambitious yet workable enough to evoke employee’s ingenuity as far as its realization is concerned. Core values are enduring principles, ideologies and worldviews that the founding fathers of organization hold in high esteem; these are sometimes referred to “organizational vision”. The unceasing nature of these core values according to Sufi and Lyons (2003) must provide the toast for a vision for that matter. Authors such as Mintzberg and Quinn (1996) explained that the vision statement should include core values or core ideologies that distinguish one organization from another.

Vision guides and perpetuates corporate existence. Vision is viewed as a mental picture of a compelling future situation. It originates from creative imagination, the act or power of perceiving imaginative mental images, sort of future planning (A. Joachim, 2010). Vision is a strong integrator (Bratianu, Jianu and Vasilache, 2007). People sharing together the same future image of their organization will strive to find best solutions to transform that vision into reality. Thus, vision integrates the individual contributions in knowledge, intelligence and values from all employees, and becomes a driving force for increasing the potential of the organizational intellectual capital. Vision is an greatest important ingredient in the success of any company. It provides the driving force that can get a company through the growing pains it will inevitably encounter. It is a basic "shape" of the company future; it expresses optimism, and hope about possibilities regarding the desired future (M. Lipton, 2003). A vision is meant to evoke powerful and compelling mental images of the desired future states of their organizations. “Dreaming” and aspirations about tomorrow is a defining tenet of entrepreneurial organizations as well as those organizations whose strategy formulation process could be described as entrepreneurial according to Mintzberg and Waters (1985). (Sufi and Lyons, 2003) Vision statements are supposed to be challenging and ambitious yet workable enough to evoke employee’s ingenuity as far as its
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According to many scholars, senior managers must need to distinguish between “‘strong’” and “‘weak’” visions (Rafferty and Griffin, 2004), as well as “‘negative’” and “‘positive’” (Senge, 1990) visions to ensure their vision is effective. This is specifically important in geographically spread organizations where people down the line must share the same vision. Several studies (Campbell, 1997; Mullane, 2002; Rigby, 1994; Campbell and Yeung, 1991) have explained that how mission and vision statements can be used to build a common and shared sense of purpose and also serve as framework through which employees focus are created. Some schools of thought believe mission and vision statements tend to enhance motivation, shape attitude & behaviors, cultivate high levels of commitment and ultimately impact positively on employee performance (Mullane, 2002; Collins and Poras, 1991; Ireland and Hitt, 1992, Drucker 1959, Klemm et al., 1991).

2.3 STRATEGIC FORMULATION:

Businesses have different strategic orientations and face a wide variety of internal and external conditions. Environmental scanning is the monitoring, evaluating, and disseminating of information from the external and internal environment to key people within the corporation or organization. Environmental scanning is a process of collecting, analyzing, and disseminating information for tactical or strategic purposes (Kazmi, 2008). The environmental scanning process consists up of obtaining both factual and subjective information on the business environments in which a company is operating or considering entering. A company’s marketing system must operate within the framework of forces which constitute the system’s environment, the crucial environmental forces are external variables which are not easily control or manipulate by the executives in a firm.
The effective strategic planning processes provide a vehicle for agency leaders to manage change and achieve mission priorities (Frances S. Berry, 2007). Good leadership and persistent attention to making strategic planning an integral part of the strategic management process can promote more effective organizations and help create public value. Thomson and Strickland (2003) indicates that strategic management process can be broadly categorized into formulation and implementation. The former involves planning, while the latter deals with how to carry out the plan. To be able to identify difficulties in the implementation phase it is important to understand the entire process of strategic management. According to Wheelen and Hunger (2002), firm strategy passes four stages: firstly environmental scanning, secondly strategy formulation, thirdly strategy implementation and finally strategy evaluation. Investigating why even the best ever designed strategies are questionable opens a doubt about inconsistencies between formulation and implementation at first and later inconsistencies between strategy implementation and performance measurement. Formulation phase consists of mission, goals and business policy determination while implementation consists of activities, budgeting and procedures. Between these steps emerge much confusion like who carry out the strategic plan, what must be done and how to work.

Before going for strategy formulation, the management must analyse the environment using tools such as SWOT analysis, PESTEL analysis, Porters five forces model, competitor analysis, customer analysis and gap analysis among others (Aldehayyat, Al Khattab and Anchor, 2011). (Jill R. Hough and Margaret A. White, 2003) points out that environmental dynamism may moderate the relationship between rational-comprehensive decision making and decision quality. The frequent opportunities provided by the rapid pace of the dynamic environment may diminish the need to ensure that each decision is fully rational. However, in more stable environments decision-makers can identify the critical variables. As a result, rational processes are used to gather information, facilitate cognitive conflict within the group, update cognitive schemas, and ultimately to increase decision quality. The slower pace of change causes each decision to be critical in maintaining strategic position.
J. Robert Baum and Stefan Wally (2003) have opined that strategic decision speed mediates the relation between environmental and organizational characteristics and performance. The firm strategies and the environment play significant roles in influencing profitability and growth of the firm. Whereas both strategy and environmental variables are significantly related to firm profitability, but only environmental variables are associated with firm growth (Kotha, Suresh and Nair, Anil, 1995). Managers make strategic decisions that are consistent with the observed gap between actual and normative decision making (Marian Chapman Moore, William Boulding, Richard Staelin, Kim P. Corfman, Peter Reid Dickson, Gavan Fitzsimons, Donald R. Lehmann, Deborah J. Mitchell, Sunil Gupta, Joel E. Urbany, Barton A. Weitz, 1994). (Vassilis M. Papadakis, Spyros Lioukas, David Chambers, 1998) has opined that strategic decision processes are shaped by a multiplicity of factors, like (1) decision-specific characteristics, including perceived characteristics and objective typologies of strategic decisions, (2) Top Management characteristics/variables, and (3) contextual factors referring to external corporate environment and internal firm characteristics.

At corporate level strategies are formulated by the top level management or the board of directors (Yabs, 2010). Chief executives must allocate their scarce time for scanning efforts among relevant domains of their firms’ external environment and their firms’ internal circumstances (Vinay K. Garg, Bruce A. Walters, Richard L. Priem, 2003). At business level strategies are formulated by middle level managers for example; marketing manager, production manager, human resource manager, among others (Yabs, 2010). Strategy formulation at functional level is done by generally first line managers or supervisors (Sababu, 2007).

Managers, concerned with restoring competitiveness of their organisations, are abandoning traditional approaches to strategy, they are searching for new approaches that give guidance in a turbulent environment (C. K. Prahalad and Gary Hamel, 1994). The conceptualisation begins by determining the market-based strategic capabilities needed to identify the nature and scope of determinants of market dynamics. These dynamics must be identified, driven by new competitive edge, creativity, new business models and innovations. Understanding fast changing markets requires identifying new market space, performing strategic segmentation analysis, and evaluating customer value requirements.
There are some fundamental changes in market dynamics that are unfolding in the new competitive landscape as a result of aggressive industrial intervention by nation-states (Richard Brahm, 1995). Both structural determinants and competitive factors can work to define the relevant environment for strategy formulation within an industry and their impacts vary considerably from one industry to another (Julian Birkinshaw, Allen Morrison, John Hulland, 1995).

Edward J. Zajac, Matthew S. Kraatz, Rudi K. F. Bresser (2000) has opined that the timing, direction, and magnitude of strategic changes can be logically predicted based on differences in specific environmental forces and organizational resources. Competitive analysis is considered essential for understanding the environment in which a firm operates. It has a significant effect on the strategies that the firm adopts in order to achieve and to sustain a competitive advantage and, consequently, to improve performance (Deshpande, Gatignon, 1994). The attainment of an appropriate match between environment and strategy has systematic implications for performance (N. Venkatraman and John E. Prescott, 1990). The environmental uncertainty was found to be associated with the amount of scanning done (Popoola S.O., 2000).

Proper planning must put in place to ensure that the business environment is conducive enough and ready to put the organization to the best position in the market place. Any business that is not aware of its environment is bound to run into some crises that will definitely arise from the increasing complexity of the environment in which such business operates. Eva Tomaskova, Alena Kopfova (2010), Hi-tech firms stress internal environment and customers. Competitors do not do not affects significantly. Some barriers can be seen with regularly gaining and regularly analysis all of necessary information from the market especially about competitors and suppliers.

2.4) Strategic Implementation: Strategy implementation related with the managerial exercise of putting a freshly chosen strategy into place. Strategies developed have to be activated through implementation. The strategy literature finds formulation as the ends (objectives and goals) and implementation as the means (action plans and allocation of resources) of the strategy (Snow and Hambrick 1980). Strategy implementation has been regarded by some authors as more
important than the strategy itself (Hrebiniak, 2006; Harrison and Pelletier, 2000; Schneier, Shaw, and Beatty, 1991). Strategy implementation is defined as the managerial exercise of putting a freshly chosen strategy in place. It involves the managerial exercise of supervising the ongoing pursuit of strategy, making it work, enhancing the competence with which it is executed, and depicting measurable progress in achieving the targeted results (Thomson and Strickland, 2003). In a nutshell, Strategy implementation refers to how firms take plans into action (Kazmi, 2008). To be able to identify difficulties in the implementation phase it is important to understand the entire process of strategic management.

In general terms, (Henry Mintzberg, 1978) strategy formation in most organizations can be thought of as revolving around the interplay of three basic forces: (a) an environment that changes continuously but irregularly, with frequent discontinuities and fluctuation in its rate of change, (b) organizational operating system and bureaucracy that above all seeks to stabilize its actions, in spite of the characteristics of the environment it serves, and (c) a leadership whose role is to mediate between these two forces, to maintain the stability of the organization's operating system while at the same time insuring its adaptation to change in environmental conditions. Strategy can then be viewed as the set of consistent behaviors by which the organization set up for a time its place in its environment and strategic change can be viewed as the organization's response to environmental change, resisted by the momentum of the bureaucracy and accelerated or dampened by the leadership.

Zagotta and Robinson (2002) and Aaltonen and Ikavalko (2002) advocate that actual value of strategy can only be recognized and accepted through execution. Most managers know more about developing strategy than they know about the execution plan for it. Formulation of strategy, however, is difficult. Making strategy work, and executing or implementing throughout the organization, is even more complex and difficult. (Hrebiniak, 2006) without effective implementation, no business strategy can be successful. According to Kaplan and Norton (2008) managers have always found it difficult to balance their near-term operational concerns with long-term strategic precedence.
As the business strategies pursued by firms become more alike, the competitive advantages of firms are increasingly determined by how well they execute the planned strategy (Schneier et al., 1991). Studies on strategic management point out that the success in formulating strategy alone may not lead to the success of strategy. Harrison and Pelletier (2000) indicate that the value of strategic decisions will be realized only after effective implementation of a decision. Moreover, firms cannot succeed if they do not implement strategies properly and effectively (Getz, Jones, and Loewe, 2009). On line with this, Kruger (1996) indicates that change processes do not achieve the desired result or even fail if implementation is undermined by people in an organization. Additionally, Hrebiniak (2006) stresses the criticality of strategy implementation by indicating that a firm’s poor performance generally stems from the plan’s execution, rather than the plan itself.

Nielson, Martin and Powers (2008) in their research discovered that 60% of the employees of different companies rated their companies being weak when it came to effective strategy execution. Back in 1999, a Fortune magazine study suggested that 70 percent of CEOs who fail do so not because of bad strategy, but because of bad execution. ("Why CEOs Fail," R. Charan and G. Colvin, Jun 21, 1999). Charan and Colvin (1999) also describe lack of execution as the failure to get the things done, making the correct decision quickly and delivering the commitments.

2.5) Strategic Evaluation and Control: The purpose of the strategic evaluation is to evaluate the effectiveness of a strategy in achieving organizational objectives. Performance measurement methods/techniques developed over a span of time, as a means of maintaining and monitoring organisational control, which is the process of ensuring that a firm pursues strategies that lead to the attainment of overall goals and objectives set earlier. Evaluation and control is a systematic determination of performance measurement against a set of standards. Evaluation and control is often used to identify and apprise subjects of interest in a wide range of human enterprises, including organisations and companies. Evaluation and control practices involve the collection of regular data that measures progress towards achieving strategy objectives. It is used to monitor changes in strategy performance over a span of time. Its use is to permit various stakeholders to make informed decisions regarding the efficient use of resources and the effectiveness of strategies. The
quality of strategic management is also strongly influenced by the kind of objectives that are set. The issue here is not the traditional one of whether objectives should be "easy" or "hard" but the question of what variables are made into objectives in the first place.

Andy Neely (1998) gives seven reasons for why performance measurement, in the present scenario, is on the management agenda. All of the seven points are relevant to any organisation or industry: the changing nature of work; specific improvement initiatives; changing organisational roles; increasing competition; changing external demands; national and international quality awards; and the power of information technology.

Most management control practices have arise out of statement of accounts and provide little, if any, help in evaluating the strategic position of the business. House (1980) explains “unless evaluation and control provides an explanation for a particular audience and enhances the understanding of that audience by the content and form of the arguments it presents, it is not an adequate evaluation for that audience, even though the facts on which it is based are verifiable by other procedures”. Potter (2006) identified that the strict adherence to a set of methodological assumptions may make the field of evaluation and control more acceptable to a mainstream audience but this adherence will work towards preventing organisations from developing new strategies for dealing with the myriad of problems that strategies face.

House (1980) finds that from an often huge body of relevant evaluations and control reports, which are used by the organisation, only about 10% of these reports or less. He also comments that, “when evaluation and control findings are challenged or utilization has failed, it was because various stakeholders found the inferences weak”. Some reasons for this position may be the failure of the organisation to establish a set of shared objectives with the strategy evaluators and monitors, or creating overly ambitious aims, as well as failing to incorporate the cultural differences of individuals and compromise strategies within the evaluation and control system.
According to Rossi et al (2004), evaluation and control is a rigorous, systematic, and meticulous application of scientific methods to assess the implementation, design, and improve outcomes of a strategy. It is a resource based process, frequently requiring resources, labour, a sizeable budget, expertise, and time. Stufflebeam & Webster (1980) defines evaluation and control as ‘a study designed to assist organisations to assess a strategy’s merit and worth.’ In this definition the focus is on value laden judgments as well as facts of the programs worth and outcomes. Reeve & Peerbhoy (2007), argue that “evaluators, projects and other stakeholders will all have potentially diversified ideas about how best to evaluate a project since each may have a different definition of ‘merit’. The central idea of the problem is thus about defining what is of value.” He further argues that evaluation is a contested term as the organisation use the term evaluation and control to describe an investigation or assessment of a strategy.

Some facets of evaluation and control system are outlined by above definitions whilst excluding other functions and goals of evaluation and control. Not all evaluation and controls serve the same purpose. Some evaluations serve a monitoring function rather than focusing solely on measurable program outcomes or evaluation findings, and it would be a tremendous feat to define the various types of evaluations and controls system that can be conducted. Potter (2006) contends that “evaluation is an eclectic and diverse field”. In this Porter argues that the central reason for the poor utilization of evaluation and controls is arguably due to the lack of tailoring of evaluation and controls to suit the needs of the organisation. Evaluation and control draws on a number of disciplines, which include policy analysis, management and organisational theory, sociology, education, social change and social anthropology. These arguments capture an important facet of evaluation and control that evaluation and control is a theoretically informed approach. Hence, a definition of the same would have been tailored to the theory, needs, purpose, approach and methodology of the evaluation and control itself. Andy Neely and Mike Bourne (2000) summaries that strategic control systems have multiple roles to play and, given that many authors argue that performance measurement is part of the strategic control process, then it follows that performance measures also have different roles to play.