Chapter - I

Introduction and Design of the Study
INTRODUCTION AND DESIGN OF THE STUDY

Strategic management

Strategic management is applied management. It is very difficult to make a precise definition of what strategic management means. Different management practitioners have defined the term differently. Strategic management involves both the development and implementation of strategy. Any practice which has be to approved as a strategic management practice has to recognize the conditions of complexity and uncertainty which are inherent for business.

Strategic management is the process of managing the business in such a way that it is consistent with the corporate objectives. Strategic management focuses on positioning the organization for success – both now and in the future. It integrates all the functions of management namely, planning, organizing, staffing, co-ordinating, directing and controlling. The achievement of corporate objectives is central to any strategic management practice.

Forming a strategic vision, fixing up objectives, designing a strategy, implementing and executing the same on a continuous basis, based on the changing internal and external environment and keeping in mind the strengths and weakness of the business are the essence of strategic management; it is a way of approaching business opportunities and challenges.

Strategic management is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plans. It is the highest level of managerial activity, usually performed by the company's Chief Executive Officer (CEO) and executive team. It provides overall direction to the whole enterprise. An organization’s strategy must be appropriate for its resources, circumstances, and objectives.
The need for strategic management got considerable ground from the works of
Ansoff (1971) and his associates who closely examined decision making process of
93 companies that had gone for acquisitions during 1964-65\(^1\). Their study revealed
that planners outperformed the non-planners when measured in financial and sales
terms.

The word strategy derives from the ancient Athenian Position of ‘strategos’.
This word consists of ‘ stratos’ and ‘agein’, which respectively mean, ‘army’ and ‘to
lead’.

Strategy has been defined in ancient times in a more detailed way by Frontinus
in the first century A.D. as “ everything achieved by a commander, be it characterized
by a foresight, advantage, enterprise or resolution\(^2\).”

Johnson and Scholes (Exploring Corporate Strategy) define strategy as,
"Strategy is the direction and scope of an organization over the long-term: which
achieves advantage for the organization through its configuration of resources within
a challenging environment, to meet the needs of markets and to fulfill stakeholder
expectations”.

It is defined as 1) an elaborate and systematic plan of action or 2) the
differentiating activities of an organization to gain competitive advantage. A strategy
is defined to consist of actions for resolving business conflicts, an action forming part
of a grand strategy of any business, an action plan where all the resources and skills
of the business can be combined together to contribute most advantageously to
achieve the corporate objectives. Tactics and specific actions are used at lower levels
of the organization to implement the strategy for a specific plan. According to

\(^1\) Dilip Ray, Strategic Management: Indian Experience (Ed.,), New Delhi, Gyan Publishing House,
1997.

Press Ltd., June 1993, p.133.
Michael Porter, it is concerned with deciding what business an organization should be in, where it wants to be, and how it is going to get there.

Corporate strategy can be more formally defined as a comprehensive plan or action orientation that identifies the critical direction and guides the allocation of resources of an entire organization. The strategy is typically a statement about what should be done to ensure prosperity based on the company's vision, values and mission. Thus according to this definition, the strategy chosen shall allocate the available resources of the organization efficiently and such deployment of the resources shall be consistent with the corporate vision, values and mission. A good strategy shall also consider the future environment in the process of the formulation and implementation of the strategies.

It is pertinent to quote some of the definitions of strategic management here.

William Boulton

Strategic Management is the study of how organizations determine and achieve their purposes. The study is concerned with the ability of organizations to achieve their objectives in a specific environment and with the top level managers of organizations who must both lead and motivate people to achieve those objectives. It is the actions of setting organizational policies that are referred to as strategic management.

Kennichi Ohmae

Analysis is the critical starting point of strategic thinking.

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Glueck

Strategic Management is defined as," that set of decisions and actions which leads to the development of an effective strategy or strategies to help and achieve corporate objectives.

Chandler

Strategic Management as the “determination of the basic long-term goals and objectives of an enterprise and adoption of course of action and allocation of resources necessary to carry out these goals”

Paine and Naumes

Strategic Management involves the decision-making and the activities in an organization which

i) have wider ramifications,

ii) have a long time perspective, and

iii) use critical resources towards perceived opportunities or threats in a changing environment.

John L. Thompson

Strategic Management is the process by which an organization establishes its objectives, formulates actions designed to achieve these objectives in the desired time-scale, implement the actions and assesses progress and results.

Abbass F. Alkhafaji

Strategic Management is the process of assessing the corporation and its environment in order to meet the firm’s long-term objectives of adapting and adjusting to its environment through manipulation of opportunities and reduction of threats.
Higgins and Vineze

Strategic Management is the process of managing the pursuit of the organization's mission while managing the relationship of the organization to its environment, especially with respect to its environmental stakeholders: the major constituents in its internal and external environment affected by its action.

Harvey

It is a process of formulating, implementing, and evaluating business strategies to achieve future objectives.

Quinn

Strategic Management is the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole.

Pearce

The set of decisions and actions resulting in formulation and implementation of strategies designed to achieve the objectives of an organization.

Hofer and others (1984) consider strategic management as "the process which deals with the fundamental organizational renewal and growth with the development of strategies, structure, and systems necessary to achieve such renewal and growth, and with the organizational systems needed to effectively manage the strategy formulation and implementation processes".\(^4\) Firstly, these authors include two sub processes within the overall strategic management process. Through the formulation and implementation sub processes, strategies, structures, and systems are developed to achieve the objectives of organizational renewal and growth. Secondly, the strategic management process is also considered as the managing of the organizational systems which are required for strategic management. For instance, the administrative

arrangements necessary for the formulation and implementation of strategies would also be included in the process of strategic management.

Ansoff (1984) states that strategic management is “a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way that will assure its continued success and make it secure from surprises”.\(^5\) In this definition, the emphasis is on the environment – organization relationship for the purpose of achieving the objective of continued success and remaining protected from environmental surprises through the adoption of a systematic approach to general management.

Sharplin (1985) defines strategic management as “the formulation and implementation of plans and carrying out of activities relating to the matters which are of vital, pervasive or continuing importance to the total organization”.\(^6\) This is an all – encompassing view of strategic management and considers all plans and activities, which are important for an organization.

The concept of strategy embraces overall purpose of an organization. It is not surprising, therefore, that defining it properly means examining the many facets that make up the whole. By combining them, a more comprehensive definition of strategy\(^7\) is arrived at.

**Elements of strategic management process**

From the above discussion, it is possible to identify the elements of strategic management. The elements of strategic management can be listed as under:

\(^5\) Ansoff, op. cit. introduction, p xv.


(1) Establishing the hierarchy of strategic intent:
   a) Creating and communicating a vision,
   b) Designing a mission statement,
   c) Defining the business,
   d) Setting the objectives,

(2) Formulation of strategies
   a) Performing environmental appraisal,
   b) Doing organizational appraisal,
   c) Considering corporate-level strategies,
   d) Considering business-level strategies,
   e) Undertaking strategic analysis,
   f) Exercising strategic choice,
   g) Formulating strategies,
   h) Preparing a strategic plan,

(3) Implementation of strategies:
   i) Activating strategies,
   j) Designing structures and systems,
   k) Managing Behavioural implementation,
   l) Managing functional implementation,
   m) Operationalising strategies,

(4) Performing strategic evaluation and control:
   n) Performing strategic evaluation,
   o) Exercising strategic control, and
   p) Reformulating strategies.
The dimension of strategic management, which looks at the how of strategy, is referred to as the Strategy Process. The dimension of strategic management, which looks at the what, not the how, of strategy is known to as Strategy Content. The dimension of strategic management, which is concerned with the analysis of the environment in which the strategies are made is referred to as Strategy Context. Pettigrew (1988)\textsuperscript{8} and Mintzberg (1990)\textsuperscript{9} state that process, content and context should be viewed as not the ‘elements’ of strategic management, but as its dimensions.

**Strategic planning**

Very often strategic management is stated to be the same as strategic planning. While some experts argue in favour, others wish to differ.

According to Bryson's Strategic Planning in Public and Nonprofit Organizations, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. It is strategic because it involves preparing the best way to respond to the circumstances of the organization's environment.

Strategic planning involves deliberate setting up of goals and developing means to achieving those goals. It calls for a certain order and pattern to keep it focused and productive. Strategic planning is futuristic and has to foresee the environment in which the organization will be working in the future. Clearly, strategic planning has to make decisions choosing the best among the alternatives available to the organization.


Strategic planning assumes that an organization must be responsive to a dynamic, changing environment. Another quite often used terminology is strategic thinking. Then, it is said that strategic management is the application of strategic thinking to the job of steering an organization.

According to Dr. Jagdish Sheth, a respected authority on marketing and strategic planning, strategic management entails attention to the "big picture" and the willingness to adapt to changing circumstances, and consists of the following three elements: formulation of the organization's future mission in light of changing external factors such as regulation, competition, technology, and customers; development of a competitive strategy to achieve the mission; creation of an organizational structure which will deploy resources to successfully carry out its competitive strategy.

Strategic planning does not make future decisions. It is about fundamental decisions and actions, but it does not attempt to make future decisions (Steiner, 1979). Strategic planning involves anticipating the future environment, but the decisions are made in the present. This means that over time, the organization must stay abreast of changes in order to make the best decisions it can at any given point - it must manage, as well as plan, strategically.

The planning approach views strategy as a plan- to be fully formulated, explicitly and rationally, and only then implemented. In the terms of Mintzsberg and Waters the planning approach focuses on deliberate strategies. The incrementalist approach views strategy as pattern in the stream of organizational activities-strategy is formulated, implemented, tested, and adapted, sometimes rationally, sometimes influenced by non-rational behavior, but always in small steps and on a continuous basis, blurring the distinction between formulation and implementation. Thus the
incrementalist approach focuses on emergent strategies. The planning approach can be caricatured as mechanistic ("think then do"), while the incrementalist approach can be caricatured as organic ("think-convince-try-argue-learn-think-etc.")

A strong normative literature states what factors should be included in a systematically planned strategy and how to analyze and relate these factors step-by-step. The main elements of this "formal" planning approach include:

- Analyzing one's own internal situation: strengths, weaknesses, competencies, problems;
- Projecting current product lines, profits, sales, and investment needs into the future;
- Analyzing selected external environments and opponents' actions for opportunities and threats;
- Establishing broad goals or targets for subordinate groups' plans;
- Identifying the gap between expected and desired results;
- Communicating planning assumptions to the divisions;
- Requesting proposed plans from subordinate groups with more specific target goals, resource needs, and supporting action plans;
- Occasionally asking for special studies for alternatives, contingencies, or long-term opportunities;
- Reviewing and approving divisional plans and summing these for corporate needs;
- Monitoring and evaluating performance (presumably against plans, but usually against budgets).

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Balaji, Chakravarthy and Peter Lorange also present a general blueprint that details the strategic planning steps an organization must go through sequentially to arrive at an effective strategy.\textsuperscript{11}

While this approach is excellent for some purposes, it tends to focus unduly on measurable quantitative factors and to underemphasize the vital qualitative, organizational, and power-behavioral factors that so often determine strategic success in one situation versus another. In practice, such planning is just one building block in a continuous stream of events that really determine corporate strategy.

Strategic business planning has not consistently delivered the promised financial benefits because it has often fallen victim to a number of formidable, bureaucratic obstacles. As a result, many firms today are seriously rethinking their prior commitments to the business-planning process. This, however, is not the time to abandon strategic business planning, especially for those companies simultaneously facing growing worldwide competition and social demands. This is the time to begin removing the obstacles to effective strategic business planning so that these demands can be met.\textsuperscript{12}


The objectives of firms behind strategic planning has been studied by many. The study by A.M.Shah\textsuperscript{13} reveals the following:

<table>
<thead>
<tr>
<th>Objectives Pursued Through Strategic Planning</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits</td>
<td>1</td>
</tr>
<tr>
<td>Stability</td>
<td>6</td>
</tr>
<tr>
<td>Growth</td>
<td>2</td>
</tr>
<tr>
<td>Gaining Strategic advantages</td>
<td>4</td>
</tr>
<tr>
<td>Market leadership</td>
<td>3</td>
</tr>
<tr>
<td>Social responsibility</td>
<td>7</td>
</tr>
<tr>
<td>Diversification</td>
<td>5</td>
</tr>
</tbody>
</table>

The same study\textsuperscript{14} in the survey conducted among corporate executives revealed the benefits derived from strategic planning as below:

<table>
<thead>
<tr>
<th>Benefits Derived from Strategic Planning</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>4</td>
</tr>
<tr>
<td>Growth</td>
<td>5</td>
</tr>
<tr>
<td>Improved decisions</td>
<td>1</td>
</tr>
<tr>
<td>Market leadership</td>
<td>8</td>
</tr>
<tr>
<td>Identification of great opportunities</td>
<td>2.5</td>
</tr>
<tr>
<td>Clear objectives</td>
<td>6.5</td>
</tr>
<tr>
<td>Better co-ordination</td>
<td>2.5</td>
</tr>
<tr>
<td>Adaptability and flexibility</td>
<td>6.5</td>
</tr>
<tr>
<td>Cost control</td>
<td>11</td>
</tr>
</tbody>
</table>

\textsuperscript{13} A.M.Shah, Strategic Planning and Organisational Performance: Executives' viewpoint, Strategic Management: Indian Experience (Ed.), New Delhi, Gyan Publishing House, 1997.

\textsuperscript{14} Ibid.
Better employee motivation  
Improved productivity

**Strategy is partly proactive and partly reactive**

There is a big debate as to how strategies are formed by corporates. Normally a company forms its strategies based on previous experiences. While the successful experiences give the management some action to continue, failures in the past would make the management to think of alternate methods to carry out their action plans. A company’s current strategy emerges from previously initiated actions and business plans that are working well. Thus, a management formulates strategies initially and modifies the same depending upon the realities faced in the working environment. Hence, the ultimate strategy consists of two components, one that was originally thought off and the other emerging out of the situations present at the time of carrying out the strategies. The original strategy is called deliberate strategy and the latter part an emergent strategy. That is 'strategy is partly proactive and partly reactive'.

But not every strategic move is the result of proactive plotting and deliberate management design. Things happen that cannot be fully anticipated or planned for. When market and competitive conditions take an unexpected turn, some kind of strategic reaction or adjustment is required. Hence, a portion of a company’s strategy is always developed in the execution of it. This emergent strategy is a result of reasoned response to unforeseen developments, fresh strategic maneuvers on the part of rival firms, mandate of customer requirements and expectations, introduction of new technologies and new market opportunities, changing political or economic climate, or other unpredictable or unanticipated happenings in the business radar of the company. But apart from adapting strategy to changes in the market, there is also

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a need to adapt strategy as new learning emerges about which pieces of the strategy are working well and which are not, as management thinks of new ideas for improving the strategy. Crafting a strategy thus involves stitching together a proactive/intended strategy and then adapting first one piece and then another as circumstances surrounding the company’s situation change or better options emerge\(^\text{16}\).

Great strategies, like great works of art or great scientific discoveries, call for technical mastery in the working out, but originate in insights that are beyond the reach of conscious analysis\(^\text{17}\).

A company’s strategy should be viewed as a work in progress. Most of the time a company’s strategy emerges in bits and pieces, the result of trial and error, experimentation, deliberate management design, and ongoing management actions to fine-tune this or that piece of the strategy and to adjust certain strategy elements in response to unfolding events\(^\text{18}\). Most of the time, major strategy shifts are called for, such as when a strategy is clearly failing and the company faces a financial crisis, when the conditions or buyer preferences change significantly and new opportunities arise, when competitors do something unexpected, or when important technological breakthroughs occur\(^\text{19}\).

\(^{16}\) Ibid.


\(^{18}\) Ibid.

Henry Mintzberg\textsuperscript{20} calls these strategies as realized strategy, intended strategy and emergent strategy.

In Mintzberg’s view, emergent strategies are the unplanned responses to unforeseen circumstances. They are not the product of formal top-down planning mechanisms.

Mintzberg maintains that emergent strategies are often successful and may be more appropriate than intended strategies.

In practice, the strategies of most organizations are probably a combination of the intended (planned) and the emergent. The message for management is that it needs to recognize the process of emergence and to intervene when appropriate, killing off bad emergent strategies but nurturing potentially good ones.\textsuperscript{21}


\textsuperscript{21} This view point is strongly emphasized by Burgelman and Grove, “Strategic Dissonance”.
The next logical question is how to make the strategies kicking. One has to see how well the strategies suit the strengths and weaknesses of the company and how well the opportunities and threats faced by the company are built into the strategy. The pertinent questions to be answered are,

1. How well does the strategy fit the company's situation? To qualify as a winner, a strategy has to be well matched to industry and competitive conditions, a company's best market opportunities, and other aspects of the enterprise's external environment. At the same time, it has to be tailored to the company's resource strengths and weaknesses, competitive capabilities.

2. Is the strategy helping the company achieve a sustainable competitive advantage?

3. Is the strategy resulting in better company performance?

Crafting and executing a company's strategy is a five-phase managerial process:

1. Developing a strategic vision of where the company needs to head and what its future product-customer-market-technology focus should be.

2. Setting objectives and using them as yardsticks for measuring the company's performance and progress.

3. Crafting a strategy to achieve the desired outcomes and move the company along the strategic course that management has charted.

4. Implementing and executing the chosen strategy efficiently and effectively.

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23 Ibid.
5. Monitoring developments and initiating corrective adjustments in the company's long-term direction, objectives, strategy, or execution in light of the company's actual performance, changing conditions, new ideas, and new opportunities.

This five phase managerial process can be represented by way of a simple diagram as below:

**Fig. 1.2**

**Process of Strategic Management**

- Establishment of strategic intent
- Formulation of strategies
- Implementation of strategies
- Strategic evaluation
- Strategic control

Jim Fisk & Robert Barron in *The Official MBA Handbook* state that "Strategy is a way of comparing your organization's strengths with the changing environment in order to get an idea of how best to complete or serve client needs."

Essentially, there are three different categories of strategies: organizational, programmatic, and functional. The difference among the categories is the focus of the strategy: Organizational strategy outlines the planned avenue for organizational development (e.g., collaborations, earned income, selection of businesses, mergers, etc.). Programmatic strategy addresses how to develop, manage and deliver programs. Functional strategies articulate how to manage administration and support needs that impact the organization's efficiency and effectiveness.
The strategic management process entails: examining the organization's critical issues determining how the organization's strengths and skills can be employed to address the critical issues analyzing opportunities and strengths and looking for ways to synthesize the two exploring and choosing the best approaches for the organization. During this evaluation ask these key questions: Does the strategy meet/address critical issues? Is this aligned with our mission? Is this approach financially viable? One effective method of strategy generation is to list critical issues and organizational strengths and brainstorm the possible uses of those strengths or other skills to address the critical issues.

A company's strategy is management's game plan for growing the business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operations, and achieving targeted objectives. A company's strategy thus indicates the choices its managers have made about how to attract and please customers, how to respond to changing market conditions, how to compete successfully, how to grow the business, how to manage each functional piece of the business and develop needed capabilities, and how to achieve performance targets.

**Driving forces of strategies**

Obviously, one is tempted to ask the question, 'What factors influence the strategy making, implementation and control?' Some of the most commonly experienced driving factors of strategy as,

2. Increasing globalization of the industry.
3. Changes in the long-term industry growth rate.
4. Changes in who buys the product and how they use it.
5. Product innovation.

6. Technological change and manufacturing process innovation.

7. Marketing innovation.

8. Entry or exit of major firms.

9. Diffusion of technical know-how across more companies and more countries.


11. Growing buyer preference for differentiated products instead of standardized commodity products (or for a more standardized product instead of strongly differentiated products).

12. Reductions in uncertainty and business risk.

13. Regulatory influences and government policy changes.


Bob De Wit states the following factors have critical bearing on the strategy formulation:

- Overall organizational structure or its basic management style;
- Relationships with the government or other external interest groups;
- Acquisition, divestiture, or divisional control practices;
- International posture and relationships;
- Innovative capabilities or personnel motivations as affected by growth;
- Worker and professional relationships reflecting changed social expectations and values;
- Past or anticipated technological environments.

In practice, strategic management has three main components. They are shown in page number 20 of the report in Figure 1.3:
The salient considerations in these three components of strategy management can be mentioned as under:

**Strategic Analysis**

This is all about the analyzing the strength of businesses' position and understanding the important external factors that may influence that position. The process of Strategic Analysis can be assisted by a number of tools, including:

- **PEST Analysis** - a technique for understanding the "environment" in which a business operates
- **Scenario Planning** - a technique that builds various plausible views of possible futures for a business
- **Five Forces Analysis** - a technique for identifying the forces which affect the level of competition in an industry
- **Market Segmentation** - a technique which seeks to identify similarities and differences between groups of customers or users
- **Directional Policy Matrix** - a technique which summarizes the competitive strength of a businesses operations in specific markets
Competitor Analysis - a wide range of techniques and analysis that seeks to summarize a businesses' overall competitive position

Critical Success Factor Analysis - a technique to identify those areas in which a business must outperform the competition in order to succeed

SWOT Analysis - a useful summary technique for summarizing the key issues arising from an assessment of a businesses "internal" position and "external" environmental influences.

Strategic Choice

This process involves understanding the nature of stakeholder expectations (the "ground rules"), identifying strategic options, and then evaluating and selecting strategic options.

Strategy implementation

Strategy implementation is an internal, operations-driven activity involving organizing, budgeting, motivating, culture-building, supervising, and leading to "make the strategy work" as intended

What are vision and mission?

A strategic vision is a road map showing the route a company intends to take in developing and strengthening its business.

Kotter (1990) defines it as a “description of some thing (an organization, corporate culture, a business, a technology, an activity) in the future”. El-Namaki (1992) considers it as a “a mental perception of the kind of environment an individual, or an organization, aspires to create within a broad time horizon and the underlying

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conditions for the actualization of this perception”.\textsuperscript{25} Miller and Dess (1996) view it simply as the “category of intentions that are broad, all-inclusive, and forward thinking”.\textsuperscript{26} Thompson (1997) defines mission as the “essential purpose of the organization, concerning particularly why it is in existence, the nature of the business (es) it is in, and the customers it seeks to serve and satisfy”.\textsuperscript{27} Hunger and Wheelen (1999) say that mission is the “purpose or reason for the organization’s existence”.\textsuperscript{28}

Management experts have suggested various strategic management models, so that the nature, scope and the different processes involved in strategy management can be understood in a better manner. John A. Pearce and Richard B. Robinson, Jr. have suggested the Strategic Management Model shown in page number 23 of the report:


Fig. 1.4

Strategic management model

Role of private corporate sector

This research study deals with the strategic management practices of public limited companies in the private sector, with specific reference to public companies in Coimbatore District in Tamilnadu. It is pertinent to take stock of the role and contribution of these public limited companies in the private sector in the Indian economy.

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Though Government of India followed a policy of mixed economy during 70’s and 80’s, the role of private sector was always considered significant in the economic activities in the country. With the liberalization, globalization and the World Trade Organisaiion coming into effect, the contribution of the private sector and the public companies have improved tremendously. In the organized private sector, the Corporate Sector has garnered a major slice in the economic and business activity.

As on 31.10.2004, there were 6,61,371 companies limited by shares in India. This comprises 6,60,051 companies in the private sector and 1,320 companies in the Public sector. However, bulk of the companies, to be precise, there were 5,83,618 private limited companies and 77,753 public limited companies at work as on 31.10.2004.

As per the data available with the Centre for Monitoring Indian Economy, the private sector has invested Rs.17,45,233 crores when compared with the investment by the Government (Central, State and Public Sector Undertakings) of Rs.17,10,125/= crores as on October 2006. According to the data available in Capitaline Corporate Database, 2600 Public limited companies in India have put in an aggregate sales turnover of Rs.14,45,982 crores from October 2005 to September 2006 which is 21% higher when compared with the sales turnover of these companies over the same period during the previous year. These 2600 companies constituted about 90% of the total market capitalization. These companies have made a cash profit of Rs.1,99,757 crores during the period October 2005-September 2006.

Public companies in Coimbatore district

Coimbatore is ranked as the second most important city in Tamilnadu, erstwhile Madras State, next only to Chennai in terms of industrialization and educational institutions. While all the states in India have an office of the Registrar of Companies, only Tamilnadu and Maharashtra have two offices of the Registrar of companies to take care of the increased volume of corporate activities. Coimbatore city can take pride of having the second office of the Registrar of Companies after Chennai city, in Tamilnadu. This only shows the importance of Coimbatore in the number of companies the city has and the volume of business activity here.

Coming to the growth and significance of the Public limited companies in Coimbatore District, the Prowess Database gives the following details for 55 public limited companies, carrying on the business of manufacturing and trading of goods:

**DETAILS OF SELECT PUBLIC LIMITED COMPANIES IN COIMBATORE DISTRICT**

(Rs. crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Fixed Assets</th>
<th>Operative Profit</th>
<th>Profit after tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-1996</td>
<td>2,700</td>
<td>1,848</td>
<td>241</td>
<td>141</td>
</tr>
<tr>
<td>1996-1997</td>
<td>3,258</td>
<td>2,301</td>
<td>259</td>
<td>157</td>
</tr>
<tr>
<td>1997-1998</td>
<td>3,208</td>
<td>2,853</td>
<td>187</td>
<td>78</td>
</tr>
<tr>
<td>1998-1999</td>
<td>3,171</td>
<td>3,068</td>
<td>115</td>
<td>-8.0</td>
</tr>
<tr>
<td>2000-2001</td>
<td>3,714</td>
<td>3,620</td>
<td>67</td>
<td>-56</td>
</tr>
<tr>
<td>2001-2002</td>
<td>3,804</td>
<td>3,736</td>
<td>76</td>
<td>-105</td>
</tr>
<tr>
<td>2002-2003</td>
<td>4,561</td>
<td>3,943</td>
<td>241</td>
<td>-41</td>
</tr>
<tr>
<td>2003-2004</td>
<td>5,007</td>
<td>4,648</td>
<td>231</td>
<td>77</td>
</tr>
<tr>
<td>2004-2005</td>
<td>5,743</td>
<td>5,286</td>
<td>353</td>
<td>187</td>
</tr>
</tbody>
</table>
As can be observed, the sales and investments in the fixed assets have steadily grown over the period from 1995-1996 to 2004-2005. However the operational results of these companies has not grown commensurate with the growth in the sales and investments in fixed assets.

1.2 Statement of the Problem

Companies in the organized sector in the West practice innovative and entirely novel methods and techniques in maintaining their lead in the business they do. Strategic management practices are aggressively followed by these companies to position themselves advantageously in competing in the market. Cross border mergers, acquisitions and takeovers have become the common methods of growth in international business. Indian companies have been doing business under a protected policy regime even as late as 1990s. With globalization and liberalization policy measures adopted by the Indian government and the World Trade Organisation opening up markets globally, there is an urgent and growing need for Indian companies to adopt new methods of managing their business. It is important that the management practices of the companies in India are brought out in the public domain, discussed and researched so that there is every possibility that these companies will sharpen their practices and techniques of doing business.

Research in strategic management is a neglected area since the emphasis is mainly on teaching. Several causes for the neglect of research are pointed out, the main reasons being: the complex nature of the discipline, inaccessibility to and the uncooperative attitude of prospective respondents, and the lack of expertise to conduct research.\(^{31}\)

On the basis of a survey of research in business policy in India (1970-82), Murthy concludes: “research in India (in business policy) has yet to come grips with the job of the general manager”. He further points out the causes for the lack of research efforts, which include non-cooperation from the top management in Indian industry, a paucity of researchers, and the requirements of multi-disciplinary skills and considerable business knowledge to conduct research in business policy.

It has been quite some time since a survey of research in business policy was conducted. Yet the situation is no different at present. A survey of research conducted in the area of management in India during the decade 1983-93 reveals that only 13 doctoral dissertations out of a total of 339, had been prepared in the area of business policy and strategic management.

Considering the dearth of sufficient research studies in the area of Strategic Management and the importance of such researches in the changing Indian context, the researcher has made an attempt to identify and analyse the management practices of a cross section of the public companies in Coimbatore District.

1.3 Objectives of the study

The objectives of the research study are:

1. To study the important Corporate Level Strategies followed by public companies located in Coimbatore District, Tamilnadu during 1996-2005.
2. To identify the important Business Level Strategies followed by public companies located in Coimbatore District, Tamilnadu during 1996-2005.
3. To find out the important Functional Level Strategies followed by public companies located in Coimbatore District, Tamilnadu during 1996-2005.


33 Ahmad, A and T Agarwala, A Decade of Management Research in India, (Bangalore: AIMS, 1994).
4. To ascertain the important Opportunities, Threats, Strengths and Weaknesses posed by the industry to the public companies located in Coimbatore District, Tamilnadu during 1996-2005.

5. To analyse the relevance of the strategic management practices followed by the public companies located in Coimbatore District, Tamilnadu during 1996-2005.


7. To offer suggestions based on the findings made

1.4 Scope of the Study

The research study is intended to analyse the strategic management practices of public companies located in Coimbatore District, Tamilnadu. The study covers only the public companies which either manufacture or trade in goods. Public companies which are rendering services like financial companies, hotels, theme parks, resorts, construction companies, consultancy companies, software service companies, companies carrying on the business of farms and orchards, transport companies, laboratories, travel agency companies, and marketing services companies are excluded from the purview of the study. Thus, private companies, public sector companies and all companies carrying on services, agricultural or horticultural activities are not covered in this research study.
The art and science of strategic management is conventionally classified to have the following phases:

1. Strategy Analysis
2. Strategy Formulation
3. Strategy Implementation
4. Strategy Evaluation and Control

This research study is concerned with only the first two phases mentioned above, namely, Strategy Analysis and Strategy Formulation. In recent times, International Strategy is studied as a distinct phase of strategic management. This research study has not given a distinct attention to international strategy.

1.5 Hypotheses

The following hypotheses have been set and tested in the research study:

1. There was no significant difference between the Corporate Level strategies followed by the public companies in Coimbatore District between the periods 1996-2000 and 2001-2005.

2. There was no significant difference between the Business Level strategies followed by the public companies in Coimbatore District between the periods 1996-2000 and 2001-2005.

3. There was no significant difference between the Functional Level strategies followed by the public companies in Coimbatore District between the periods 1996-2000 and 2001-2005.

4. There was no significant difference between the Opportunities and Threats posed by the Industry to the public companies in Coimbatore District between the periods 1996-2000 and 2001-2005.
5. There was no significant difference between the Strengths and Weaknesses posed by the Industry to the public companies in Coimbatore District between the periods 1996-2000 and 2001-2005.

1.6 Methodology

The researcher has collected data through the distribution of a Questionnaire. The data relating to Corporate Level strategies, Business Level strategies and Functional Level strategies were collected. Again, the data pertaining to the importance of Opportunities, Threats, Strengths and Weaknesses of the Industry were ascertained through the assigned scores ranging from 1 to 5. Similarly, the performance of the companies for these Opportunities, Threats, Strengths and Weaknesses were ascertained through the assigned scores ranging from 1 to 4. Two Total Weighted Scores (TWS) were calculated, one for the Opportunities and Threats and the other for the Strengths and Weaknesses for each responding company from these scores.

Total Weighted Score, for example, was calculated for Opportunities and Threats for each company by using the following three steps:

1. Find out the weight for each Opportunity and Threat posed by the industry to the company by dividing the score for that Opportunity or Threat by the total of the scores for all the Opportunities and Threats. The outcome of this step is a fraction expressed as a decimal number.

2. Multiply the decimal number obtained for an Opportunity or the Threat in step 1 by the performance score given by the company for that Opportunity or Threat.

3. Add all the weighted scores obtained in step 2 for the Opportunities and Threats of each company. This total of the weighted scores is called by the researcher as Total Weighted Score (TWS)
Total Weighted Score for the Strengths and Weaknesses of each company was also calculated by following the same procedure as mentioned above.

The collected data were tabulated and percentage analysis has been made as a first stage of data analysis. Bar charts have been selectively drawn to better illustrate the data wherever required. The collected data were further analysed with the help of Wilcoxon Signed Rank Test, multiple regression, quadrant analysis and gap analysis.

Based on the analysis, findings and suggestions have been made and conclusion were drawn for further use and research. In view of the nature of the study and the substantial data to be collected from primary and secondary sources and detailed analysis of the data collected was done to draw inferences and conclusions, analytical and descriptive research was considered to be more appropriate for the research study.

1.7 Primary data

Primary data collection posed the biggest challenge in this research study and corroborates the earlier studies made in India and confirm the complexity of data collection. The complex nature of the discipline, inaccessibility to and the uncooperative attitude of prospective respondents\(^\text{34}\) have been experienced by the researcher.

Data required for the research study were collected through a structured Questionnaire which is given in Appendix 1.

Personal contacts were made with the employees in the middle and senior levels of public companies in Coimbatore District. Ex-employees who have recently resigned from the companies concerned and the consultants of the companies concerned were also approached to get the questionnaire filled up, as in most of the

cases, the employees of the companies did not co-operate to fill up the questionnaire. On some occasions, clarifications were obtained from respondents on the incorrectly filled up questionnaire and errors were rectified. Three hundred questionnaire were distributed but the researcher could obtain only thirty research questionnaire duly filled-up in all respects. These thirty questionnaire could be received only after continuous follow up for about 6 months, through phone and personal visits to the offices of the employees, ex-employees and consultants of the companies concerned.

The Questionnaire used for the research study has been designed to capture the data relating to Corporate, Business and Functional level strategies of public companies in Coimbatore District for a ten year period from 1996 to 2005 divided into two periods of five years each, that is, 1996-2000 and 2001-2005. The Questionnaire is so exhaustive that one of the learned professors in the Corporate Policy and Strategy Area of the Indian Institute of Management Bangalore, whom the researcher consulted, stated that the Questionnaire is comparable to the one used in the book, The PIMS Principles: Linking Strategy to Performance.35

Indian government has unleashed the liberalization policy from the year 1991 and progressively many restrictive policy measures have been withdrawn. An important event in the liberalisation and globalization policy making was the coming into operation of the World Trade Organisation with effect from the year 1995. Corporate India was slow in responding to the open economic policies of the Government. Industrialists belonging to the Bombay Club, which includes leading industrial groups, still talked about protection of the local industries. Now, all this transition is history and the Indian companies are geared up to face the challenges and exploit the opportunities. These developments have started reflecting in the

strategies of the companies in India during the last decade. In order to study the trend in the strategies followed by the public companies, the researcher has chosen to divide the ten year period of study into two periods of five years each, namely, 1996-2000 and 2001-2005.

The Questionnaire has been divided into the following four sections:

Section I Part A Corporate Level Strategies
Section I Part B Business Level Strategies
Section I Part C Functional Level Strategies
Section II Part A Opportunities and Threats-Industry
Section II Part B Opportunities and Threats-Company
Section III Part A Strengths and Weaknesses-Industry
Section III Part B Strengths and Weaknesses-Company
Section IV Financial Information

The same type of information is collected by the PIMS (Profit Impact of Market Strategy) Approach which collects the following three kinds of information from companies all over the world for its continuous research:

- Information on market conditions
- Information on business unit's competitive position
- Information on financial and operating performance

1.8 Pilot Study

The Questionnaire was pre-tested by the researcher by personally observing the filling up of the questionnaire by five representatives of selected companies in Coimbatore and the questions were then modified based on the interactions with those representatives. The pre-test preview helped the researcher to identify
inconsistency or ambiguity in the questions. Such questions were then appropriately rewritten and the questionnaire was given a final shape.

1.9 Secondary Data

Secondary data sources were used mainly to collect the information relating to the Company Profiles, which are given in the research report to give some information of the public companies who have responded and returned the research questionnaire. Some of the respondents have not furnished the data relating to the turnover, profit and assets as required in the Questionnaire. The required financial information was collected from the Websites of Securities and Exchange Board of India, Bombay Stock Exchange, National Stock Exchange, the Registrar of Companies and icicidirect.com and from the corporate database Prowess. Also the list of public companies in Coimbatore District was compiled based on the data available at the website of the Ministry of Corporate Affairs, Government of India.

The financial information required for the period ending 2005 was readily available either in the questionnaire returned or in the websites. But in two or three cases the financial information for the period ending 2000 was not readily available. The data pertaining to these companies were collected from business magazines and Annual Reports of the companies concerned after intensive search and the closest information available was used. In two cases where the financial data were not available, series mean of the missing data were used.

1.10 Sampling Design

Simple random sampling method has been followed by the researcher in this study. The sample for this research study was selected from a list of public companies which was compiled from the website of the Ministry of Corporate Affairs, Government of India.
Since the research study is concerned with the public companies in Coimbatore District in Tamilnadu, the website of the Registrar of Companies, Coimbatore was visited. The researcher has prepared a list of the public companies from the information available in the website, leaving the names of private limited companies, Section 25 companies and public sector (government) companies. Again, since the research study on Strategic Management Practices has been intended to study the practices of companies dealing with goods than services, companies doing the business of rendering services have been deleted from this list. These companies doing business in services related to financial companies, hotels, theme parks, resorts, construction companies, consultancy companies, transport companies, laboratories, travel agency companies, software, farms and orchards, gas service and marketing services companies. Also, the companies transferred from Chennai and other States were excluded. This process has resulted in a list consisting of four hundred and eighty one public companies (481) in Coimbatore District.

The researcher approached the employees, ex-employees and consultants of three hundred public companies using simple random sampling method out of which thirty seven respondents have returned the questionnaire. The returned questionnaire of seven companies were incomplete and hence not included in the analysis.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Numbers</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public companies, doing business other than services and non-profit making companies</td>
<td>481</td>
<td>100</td>
</tr>
<tr>
<td>No. of responding companies</td>
<td>37</td>
<td>7.70</td>
</tr>
<tr>
<td>No. of companies returning incomplete questionnaire</td>
<td>7</td>
<td>1.46</td>
</tr>
<tr>
<td>Sample size (no. of companies included in the study)</td>
<td>30</td>
<td>6.24</td>
</tr>
</tbody>
</table>
1.11 Period of Study

The Study covered a period of ten years from 1996 to 2005. This research study period of ten years has been divided into two periods of five years each, namely, 1996-2000 and 2001-2005. The data collected for these two periods were analysed to find out whether there was any change in the strategies followed by the public companies under the study.

1.12 Statistical Tools employed

The following research tools have been used in this research study for analyzing the data collected:

1. Simple Percentage Analysis
2. Wilcoxon Signed Ranks Test
3. Multiple Regression
4. Quadrant Analysis
5. Gap Analysis
6. Bar Charts

Simple percentage analysis has been used to identify the most widely used strategies in corporate level, business level and functional level strategies and also to ascertain from the points of view of the responding companies, the opportunities, threats, strengths and weaknesses posed by the Industry to the companies. The percentage analysis is accompanied selectively by bar charts to illustrate the analysis effectively. This method of analysis has been used in order to satisfy the first, second, third and fourth objectives of the research study namely, to identify the important Corporate Level Strategies, to identify the important Business Level Strategies, to identify the important Functional Level Strategies followed by public companies located in Coimbatore District, Tamilnadu during 1996-2005 and to identify the
Opportunities, Threats, Strengths and Weaknesses posed by the industry to the Companies in Coimbatore District during the period 1996-2005.

Wilcoxon Signed Ranks Test is used for the analysis of two related samples. This test has been used to test the hypothesis that the strategies of the public companies have not changed from the period 1996-2000 to the period 2001-2005. This test has been used partly to satisfy the fifth objective of the research study, namely, to analyse the relevance of the Strategic Management Practices followed by the Public Companies located in Coimbatore District, Tamilnadu, in the sense to ascertain whether the companies have changed their strategies keeping in tune with the changed business environment and the opportunities, threats, strengths and weakness posed by the Industry to them under the two periods of the research study. SPSS software has been used to carry out this Test.

Multiple Regression technique has been used in the research study to identify the relationship between the independent variables, Opportunities and Threats, Strengths and Weaknesses and the Gross Assets deployed by the responding companies on the one hand and their Sales and Profit Before Depreciation, Interest and Tax respectively, on the other hand. The resulting regression variate showed the impact of the independent variables to the overall results of the dependent variable. This technique has been used by the researcher to satisfy the sixth objective of the research study, namely, to evaluate the impact of the Strategic Management Practices on the performance of the public companies located in Coimbatore District, Tamilnadu. SPSS software has been used to carry out this Test.

The linking of the performance, measured in terms of Sales and Profit before Depreciation, Interest and Tax with the strategies in the research study is unique as was stated in The PIMS Principles, which states, “our unique
ingredient” as compared with other writers in the field, is factual evidence about the linkages between strategy and business performance.

Quadrant analysis involved plotting the weighted scores assigned by the responding companies to the Importance of the Opportunities, Threats, Strengths and Weaknesses of the Industry on the X axis. For the purpose of Quadrant Analysis, computations similar to that followed for Importance have been made with respect to the degree of responsiveness of the Companies with regard to the Opportunities, Threats, Strengths and Weaknesses, called as Effectiveness by the researcher. These weighted scores of Effectiveness have been plotted on the Y axis against the respective scores of their Importance. While graphically charting the quadrant analysis, the origin has been selected to create a visually informative and appealing picture.

Quadrant

<table>
<thead>
<tr>
<th>High Importance</th>
<th>Low Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV Overkills</td>
<td>I Current strengths</td>
</tr>
<tr>
<td>Low</td>
<td>High Effectiveness</td>
</tr>
<tr>
<td>III Low priorities</td>
<td>II Problems</td>
</tr>
</tbody>
</table>

Each of the four quadrants has been interpreted by using the following guidelines:

1. The upper right quadrant (high Importance and high Effectiveness) represents current company strengths.

2. The lower right quadrant (high Importance but relatively low Effectiveness) denotes performance attributes which are candidates for immediate attention.

3. The lower left quadrant (relatively low Importance and relatively low Effectiveness) represents lower-priority attributes for which deployment of much time and resources need a rethinking.

4. The upper left quadrant (relatively low Importance and high Effectiveness) is often interpreted as representing "overkill" attributes for which efforts exceed than warranted.

This technique has been used to satisfy the fourth objective of the research study, namely, to analyse the relevance of the Strategic Management Practices followed by Public Companies located in Coimbatore District, Tamilnadu, in the sense that how and in what manner the responding companies have exploited the Opportunities, thwarted the Threats, utilised the Strengths and overcome the Weaknesses posed by the industry through their strategies.

This analysis has been done for all the 30 companies individually. The quadrant analysis diagram has been reproduced for 15 companies only in order to avoid duplication and contain the number of pages of the study.

Gap Analysis technique has been used in conjunction with the Quadrant Analysis as the later technique does not explicitly identify the gaps between the Importance and the Effectiveness. Large gaps between Importance and the Effectiveness usually signify problems that should be corrected. Negative gaps denoted "overkill" situations. Gaps were found out by subtracting the weighted scores of Effectiveness from the weighted scores of Importance.
Like the quadrant analysis, this technique has been used to satisfy the second objective of the research study, namely, to analyse the relevance of the Strategic Management Practices followed by Public Companies located in Coimbatore District, Tamilnadu.

1.13 Limitations

1. In a study of this nature, analyzing the management practices of public companies, it is not possible to generalize the findings and conclusions and make them applicable to the population consisting of all the public companies in Coimbatore District.

2. The findings and conclusions made in this Study are applicable only to the companies participating in this Study and they cannot be construed to be applicable to the other companies in Coimbatore District.

3. The limitations as applicable to any study based on small samples, also applies to the research study on hand.

4. The response from the companies in filling up the questionnaire could be biased.

1.14 Scheme of the Research Report

The research report has been divided into eight Chapters, followed by the Bibliography and the Appendices.

Chapter I deals with Introduction and Design Study. This Chapter introduces the basics of Strategic Management, a brief note on the public companies in Coimbatore District and their financial performance as available in the Prowess Database, Problem of the Study, Objectives of the Study, Scope of the Study, Hypotheses, Methodology, Data collection, Sampling Design, Statistical Tools employed and the Limitations.
Chapter II is on Review of Literature. Details of earlier studies conducted related to Strategic Management, Corporate Planning and Business Policy are cited in this Chapter. Foreign studies and Indian studies have been separately grouped and mentioned in this Chapter.

Chapter III on Strategic Management- An Overview gives a detailed account of the various principles and concepts of Strategic Management such as Levels of Strategy, Porter’s Five Forces Model, Generic Strategies, SWOT Analysis, external analysis, internal analysis, Porter’s Value Chain, Business Level, Corporate Level and Functional Level Strategies, Strategy Implementation, Evaluation and Control.

Chapter IV on Profiles of Companies is a compilation of the information about the public companies which have responded to the Questionnaires sent by the researcher for the purpose of this Study. These companies have been organized in alphabetical order.

Chapter V is on Analysis and Interpretation of Data I. This Chapter brings out the important strategies followed by the thirty companies who have participated in the Study. The data analysis in this Chapter followed percentage analysis method and bar charts have been used, only where necessary. This Chapter satisfies the requirements of the first four objectives of the Study, namely, to find out the important Corporate level, Business level and Functional level strategies followed by the public companies and also to ascertain the Opportunities, Threats, Strengths and Weaknesses posed by the industry to the companies.

Chapter VI deals with Analysis and Interpretation of Data II. Wilcoxon Signed Ranks Test, Quadrant Analysis and Gap Analysis have been followed to analyse the data to fulfill the requirements of the fifth objective of the Study namely, to analyse the relevance of the strategic management practices followed by the public
companies studied. Quadrant and Gap Analysis have been made for all the thirty companies individually, and the relevant scatter diagrams and bar charts have been given for a randomly selected fifteen companies.

Chapter VII deals with Analysis and Interpretation of Data III. Multiple Regression has been used in this Chapter to bring out the impact of the Opportunities, Threats, Strengths and Weaknesses combined with the Total Assets on the Sales performance and the Profit Before Depreciation, Interest and Taxes. This analysis has been made for the two periods of study namely, 2000 and 2005 to answer the sixth objective of the study.

Chapter VIII contains Summary of Findings, Suggestions and Conclusion of the research study. The answers for all the objectives of the Study have been summarized in this Chapter and observations have been made which would be useful for further research.