Chapter No. 3  Decisions and Strategic Models

3.0 Decisions:

External and Internal business environment have effects on business operations and various strategic decisions taken by organizations. If organizations are not aware about the change in business environment or if they fail to predict the change, it may create crisis for the organization. Decisions and decision-making process has important role in crisis management approach.

Decision making is important role for long term success of the Business. Lessons of Newell highlight the importance of strategic decisions and corporate strategy. Lessons are

- Corporate strategy should be guided by vision
- Corporate strategy is system of interdependent parts
- Corporate strategy must be consistent with opportunities outside the company
- Benefits of corporate membership must be greater than cost.

Strategic planning is an important aspect of crisis management. Peter F Drucker defined strategic planning as” The continuous process of making present entrepreneurial decisions systematically and with the greatest knowledge of their futurity; organizing systematically the efforts needed to carry out these decisions; and measuring the results of these decisions against expectations through organized systematic feedback.”

Rudy A Champa also discussed critical decision-making process dealing first with strategy and then innovation necessary for business growth. He spoke of the “Development of strategic blueprint for the future look of the business, which can be used as decision making filler to help focus resources and determine choices for future products and markets.”

What is a decision?
According to Ducker “A decision is a judgment and choice between alternatives. It is rarely a choice between what is right or wrong, at best it is a choice between ‘almost right’ and ‘probably wrong’ - but more often choice between two courses of actions neither of which is probably more nearly right than the other”.

Decision-making is a dynamic process, a complex search of information, alternatives and choices. There are two approaches to modeling human decision-making; ‘The Outcome Oriented Approach and the Process Oriented Approach’.

- The Outcome Oriented Approach, based on the view that if one can correctly predict the outcome of the decision process, then one obviously understand the decision process. The decision outcome and its correct prediction are at the centre of this approach. Normative decision analysis and multiattribute utility theories etc are examples of this orientation, which asks questions like what and when rather than how.

- The Process Oriented Approach, based on the view that if one understands the decision process, one can correctly predict the outcome. Essentially descriptive, this approach has prescriptive and normative features as well. Knowing how decisions are made, can teach how they should be made.

The decision making process consists of pre-decision, decision and post-decision stage. These stages are interdependent. The post-decision phase often coincides with the pre-decision preparation for the next decision. Each decision stage is itself composed of series of partial decisions, characterized by their own pre and post decision stages.

In crisis Management, Predecision Stage normally consists gathering information about the crisis and understanding the impact of crisis. First, there is a sense of conflict and underlying source of conflict is the nonavailability of suitable alternatives and particularly the infeasibility of the ideal alternative to manage crisis. Experiencing conflict, decision maker starts searching for new alternatives preferably, for those approximating the ideal. The evaluation of alternatives become more systematic as the decision maker realizes that a choice among alternatives already generated, rather than a discovery of new alternatives will dominate the process towards the conflict resolution. Decision stage is exploring the partial decisions and deriving the final concluding long-term strategic decision. Decision stage includes a series of short-term decisions.
channelized to long-term solutions. Post decision stage is a combination of pre and post decision, where evaluation of decisions implemented is done and a preparatory groundwork is done for future decisions. All phases are overlapping and interlinked. It is cyclic and continuous process to arrive at better decisions. There are different approached for decisions and methods to take a decision. Following figure shows a simple decision making process.

Figure 3.1 Decision Making Process:

In a crisis management approach and decision making one needs to understand situation and should make efforts to find out answers for following questions.

1. What is crisis and what is relevant to business?
2. What will be a state of business?
3. What should be a state of business?

The decision makers should try to unfold the answers by collecting information and processing it. These answers will generate a new approach and appropriate quality decisions.

3.1 Peter Drucker’s View on Decision: “Good decision makers know that the decision to be made about the right problem, therefore they know how to define the problem”vii “Good decision Makers also know that a decision is a commitment to action, it must get people to act and be implemented”viii

Elements of Decision Making: In the Effective Executive Drucker described the following elements of decision-making.

1. Determining if decision is necessary and classifying the problem / situation as generic or unique.
2. Defining the problem
3. Satisfying the boundary conditions and specifications for the decisions
4. Deciding what is right
5. Converting the decision into action
6. Feedback: Is the decision being implemented and is the problem being resolved?

Essential steps in any decision making process areix

1. Deciding objectives of the decision
2. Create a context for success
3. Frame the issue properly
4. Generate alternatives
5. Evaluate alternatives
6. Choose the best alternatives

Organization has a vital role in decision-making. Organization consists of various subsystems and one has to understand interlinking of organization subsystem. Interdependence of subsystems create a dilemma for a decision maker. As a decision maker one has to consider the
impact of decision on effective utilization and performance of these systems. Organizational subsystems provide a structure and a link between various business environments and help decision process to select appropriate decision. Following figure gives a generic view of organization subsystems.

Figure 3.2 Organization Subsystems

<table>
<thead>
<tr>
<th>Elements Of Open System</th>
<th>Task Environment</th>
<th>General Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Subsystems</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mission And Vision</td>
<td>Customers</td>
<td>Legal and Regulatory</td>
</tr>
<tr>
<td>Management</td>
<td>Suppliers</td>
<td>Natural Resources</td>
</tr>
<tr>
<td>Human, Social and Cultural</td>
<td>Competitors</td>
<td>Economic, political and Society</td>
</tr>
<tr>
<td>Structural</td>
<td>Technology</td>
<td>Culture, Values, Beliefs</td>
</tr>
<tr>
<td>Technological</td>
<td></td>
<td>Climate</td>
</tr>
</tbody>
</table>

Experts in management and management gurus have developed a set of strategic decision models, which help the decision makers to understand the situation and it create a path of for better decisions. Application of these models helps the decision maker to take knowledge decisions. Selection and application of model depends upon the situation to be managed and the expected impact of the decision. It is well known fact that a crisis cannot be managed by using a single decision making model but it will help to gather the information for in-depth analysis before arriving at a decision. The outcome can change with use of different models. Some models are useful for crisis management related to external business environment. Other models are exclusively for crisis related with internal business environment.

**Strategic Models for external environment crisis management are:**

- GE-McKinsey Matrix
- BCG Matrix
- Porter’s five force model
• Porter’s Generic Strategic Model
• PESTL
• Ansoff Matrix

Strategic Models for internal environment crisis management are:
• SWOT
• Value Chain Analysis
• Balanced Scorecard
• Mckinsey ‘7S ‘ Model

3.2 Strategic Models:

3.2.1 GE-Mckinsey Matrix (9 Cell Model)
• GE Matrix is a derivation of BCG Matrix. It was developed by Mckinsey & Co. for General Electric Company.
• BCG Matrix is not flexible where as GE 9 cell model consider all the factors related to market attractiveness.
• A large corporation may have many SBU’s, which are distinctive and individual. Overall strategy decision about development of Market and further investment decisions is based on GE 9 cell Model.
• GE Matrix refers to Market attractiveness Vs Business position in terms of strength and weakness and further this is divided into three categories Low, Medium and High, forming 9 cells.
• Each of the nine cells is indicative of decisions regarding market and investment.

• This model is used to manage crisis related with external business environment especially for crisis related with the market for products and services offered by company. In automobile industry and subsequently for auto component manufacturing companies, these market force play a dominating role and can create a severe crisis. Growth of market is a function of industry attractiveness, i.e. possibility of generating higher revenues.
Industry attractiveness depends upon the response of customer for specific products. Determinants of industry attractiveness are, Market Growth rate, Market size, Demand Variability, Industry Profitability, Industry Rivalry, Global Opportunities, Macro environment factors [PEST]

**Figure 3.3 BCG 9 Cell Model Business Position (Strength and Weakness)**

![BCG Matrix Diagram]

Decisions required to manage crisis related to market can be derived by application of this matrix. Nine cells give various combinations of business strength and market attractiveness. These combinations also suggest probable strategic actions to overcome the crisis. Company can change a product portfolio by selecting appropriate strategy related to a specific cell of model.

To overcome the crisis, company should focus on its strengths such as Market share, Productive Capacity, Profit Margin relative to competitor etc and develop a solution to avert the crisis.

### 3.2.2 BCG MATRIX

- Boston Consulting Group (BCG) Matrix is a tool to evaluate a company’s position in terms of its Product portfolio.
• BCG Growth Matrix considers two variables namely
  o Market Growth Rate
  o Relative Market Share
• This technique is particularly useful for multidivisional or multiproduct companies.
• This divisions or products comprise the organisation called “business portfolio.”
• The Matrix was popularised by the use of symbols mainly representing animals, such as ‘dogs, question marks, star and cash cow’.
• This matrix is useful to develop a business portfolio strategy when company is facing a crisis because of economic business environment and when resultant economic forces are creating pressures on business performance.

Economic environment of business will create different impact on various business portfolios of a company. This impact may be favourable or a disaster for various businesses. This impact depends upon the current status of business unit in a specific environment.

In BCG matrix the product or business portfolio is broadly classified in four categories, “Stars high Performers with higher cash flow”, “Cash cows higher cash flows with lower market
growth”, “Question Mark, indecision state and can be a Star or Dog in future”, “Dogs a non performing unit”.

BCG matrix helps to understand the impact of crisis related to economic environment and create a base to design a strategy for a business. Company can take decision for investment or withdrawal from business unit. Economic crisis can convert stars to cash cows or question marks. Economic environment analysis will help to identify opportunities for business unit and with turn around strategy, dogs and question marks can be converted to cash cow and Star performer.

3.2.3 Porter’s Five Forces Model

Porter’s five forces model is used to identify the potential sources of crisis from external business environment but the span is limited within the industry sector. This model is very useful automobile industry and auto component manufacturing companies. These companies operate in same business environment and they create a crisis for one another. The crisis related to this business environment is related with strength and weaknesses of individual players in the same industry sector.
In automobile component manufacturing companies, Porter’s five forces can be identified easily and a company can create action plan to manage the crisis resulting from development in these forces.

**Source of potential crisis can be:**

**Threat of new entrant:** In automobile component manufacturing industry, there is not any entry barrier for a new competitor. Technology required and skills required are available and anyone who has a requisite capital can start an industry. FDI also create opportunities for players to enter the market.

**Bargaining power of Supplier:** In automobile industry, the companies who produce a niche product, will always have a bargaining power. Companies like SKF, Bosch, MRF Tyres, Asian Paints, Tata Steel supply special products to various automobile companies. These firms dictate their terms to these companies. The bargaining power can create a direct threat of material prices and volume consumptions and inventory management.

**Bargaining power of Customer:** All automobile companies have dedicated suppliers as automobile component manufacturers and OEM suppliers. These mass scale production companies use their bargain power and generate maximum benefits from component manufacturers. The dedicated suppliers fully depend upon these customers and there is always a threat from customer arising out of change in business policies or business models.

**Threat of substitute products or Services:** In automobile component manufacturing companies, the entry barriers are minimum and a new competitor can enter into market with better technologies and low cost products. This creates a threat of survival for the company. Entry of global players in India has created a threat for various automobile component manufacturers.

**Rivalry among existing competitors:** Large scale Automobile manufacturers have multiple dedicated suppliers and they create artificial rivalry among these suppliers. They always create a threat for all competitors by frequent changes in delivery schedules and volume of consumption.
The rubber manufacturers like TVS, MRF, Dunlop, Ceat is a best example of rivalry for supply of tires and tubes to these mass scale automobile manufacturers.

**Application of Porter’s Five forces Model:** This model helps us to identify the potential sources of crisis from external environment and helps management to take strategic decisions to have a proactive approach for crisis management. This analysis provides a strong support for strategic decisions to reduce the impact of this business environment.

3.2.4 *Porter’s Generic Strategy model*

Michael Porter suggests that firms’ ultimate strength is into three factors.

- a) Cost advantage
- b) Differentiation
- c) Focus.

They are called generic strategies because these are applied at the business unit level and are not dependent on industry or firm.

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**Figure 3.6 Porter’s generic strategy model:**

Competitive advantage
**Cost leadership:** A company can manage the crisis resulting from price war in a market by creating a cost leadership advantage to offer better products to customers. Cost leadership can be achieved by taking strategic decisions in various areas such as

- a) Economics of scale
- b) Proprietary technology
- c) Cheaper raw material
- d) Lower cost of processing
- e) Lower product delivery cost

Organizations that achieve cost leadership can benefit either by increased market share or by maintaining average price. In both the cases, the firm achieves higher profits.

I. **Differentiation:** The strategy of differentiation involves offering a different product, a different delivery system or using a different marketing approach. It is up to management of the company to decide which factors it wants to emphasize in order to gain competitive advantage. Companies that apply differentiation strategy in the market share by offering unique services to customers. Company projects itself as a different company in terms of products, services, policies, technology etc. to retain market share and increase market penetration.

II. **Focus:** The third strategy, focus strategy involves achieving cost leadership or differentiation within niche market. Firm chooses a narrow segment within industry and tailors its offerings. Focus strategy has its two variants

   a) It cost focus a firm achieve a cost advantage in its targeted segment.
b) Differentiation focus a firm achieves differentiation in target segment.

Overall porter’s generic strategy devices following strategies:

- Differentiation strategy- unique competency
- Cost leadership strategy- low cost competency
- Segmentation strategy- focus on narrow section

Porter’s Five Forces Model and generic strategies can be used in combination for better decisions and to develop better crisis management approach. The Matrix is formulated by combining Porter’s five force and generic strategy. Generic strategies each can provide action plan to defend against competitive forces

**Figure 3.7 Porter’s Generic Strategies**

<table>
<thead>
<tr>
<th>Industry forces</th>
<th>Cost Leadership</th>
<th>Differentiation</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry barrier</td>
<td>Ability to reduce prices to avoid potential entrant</td>
<td>Customer loyalty can discourage potential entrant</td>
<td>Core competency can avoid potential entrant</td>
</tr>
<tr>
<td>Buyer power</td>
<td>Ability to offer lower price to main buyer</td>
<td>Large buyers have very few alternatives to negotiate</td>
<td>Large buyers have less power to negotiate</td>
</tr>
<tr>
<td>Supplier power</td>
<td>Alternate sourcing for powerful suppliers</td>
<td>Ability to pass supplier price increase to customer</td>
<td>Supplier has power because of low volume</td>
</tr>
<tr>
<td>Threat of substitute</td>
<td>Low price can defend substitute</td>
<td>Customer focus differentiation than substitutes</td>
<td>Specialised product and core emergency protect against substitute</td>
</tr>
<tr>
<td>Rivalry</td>
<td>Ability to compete on price</td>
<td>Brand loyalty keeps customers from rivals</td>
<td>Rivals cannot meet differentiation focused customer needs.</td>
</tr>
</tbody>
</table>

### 3.2.5 PESTL Analysis:

External business Analysis- Political, Economic, Social, Technical and Legal
Economic conditions affect both capital availability and cost of capital. In-turn it affects profitability, growth and sustenance of the organization. External environment is always unpredictable. Economic conditions influence timing and success of a particular strategy. When economy is growing, the demand may exist for a product, and services, which would not be when there is stage of depressed economy. Economic conditions are influenced by Government policies and political situation in the country. PESTL analysis is a logical approach to understand the impact of External Business environment on a business and provides insight to adapt with the situation.

Socio cultural environment influence the demand and tests, which vary with the fashion, disposable income and general changes. Technology is widely recognized by various literatures on strategic management as a part of organization and it is used for creation of competitive advantage. PESTL analysis incorporates perspectives of Macro Environment Analysis, which provide a framework and a logical structure for proactive decision-making.

**P- Political Factors:**
- Structure of federal Government
- Stability of government
- Policy decision making process
- Speed of decisions
- Political interference
- Monetary and fiscal policies

**E- Economical Factors**
- Government approach for economic development
- Growth of industry sectors
- Purchasing power of buyers
- Surplus available for consumption
- Consumption patters
- Homogeneity and heterogeneous market
- Potential growth of market
- Global factors

**S-Social Factors**

- Culture of society
- Education standard and literacy level
- Population growth rate
- Demography
- Social security measures
- Focus on development
- Life style
- Ethical and religious factors

**T-Technological Factors**

- Research and development activity
- Automation
- Systems
- Technology incentives
- Rate of technological change
- Technology advancement
- Innovation potential
- Technology access, licence and patent procedures

**L – Legal Factors**

- Company laws
- Labour laws
- Payment and wages act
- Financial reporting and statutory compliance
- Judiciary systems
- Financial regulators and regulatory systems
- Banking structure
3.2.6 Ansoff Matrix:
Ignor Ansoff presented a matrix that focused on firm’s present and potential products and markets. This matrix was first published in Harvard Business School in 1957 and has given simple solution about growth of business for organization. It is also called Product / Market Expansion Grid. The matrix shows four ways the business can grow and also helps executives to ascertain the risk associated with each option.

**Figure 3.8: Ansoff Matrix**

Market risk is involved in all strategies whether company introducing a new product or going for market expansion of existing product portfolio. Diversification is high-risk business proposition where as to stay in existing market is of lower risk. Aim is always to have a lower risk for business but it is very difficult to expect same level of market potential for life of the product. Radical changes in product development and subsequent market will be always there. The firm has to understand the impact of these changes and prepare strategic approach to face the situation.

Ansoff presents four different market growth strategies

I. Market Penetration: Firm can achieve growth in the current market with existing product portfolio through penetration. This strategy is having least potential risk. This strategy is used to expand customer base by using various product promotion tools.
II. Market Development: Introduction of existing product portfolio in new market. This strategy has higher risk. This is market expansion strategy and has a focus on creating different market segment, new geographical markets and different consumer groups.

III. Product development: New product portfolio for existing market. This strategy has moderate risk. Efforts are made to enhance existing product portfolio by upgrading the products, adding more quality features, better services etc.

IV. Diversification: New business with new product portfolio with new market. This strategy has very high risk. This strategy is used to reduce overall risk for business in down turn or slow down of economy. Efforts are made to ensure one of the product line is always a revenue machine for organization

1.2.7 SWOT Analysis:

SWOT , (Strengths, Weaknesses, Opportunities and Threats ) is a most commonly used matrix as a decision making process. SWOT is a study to identify the linkages between internal capabilities and external forces creating pressures on business performance. SWOT is a powerful tool perform self audit about the business policies, business strategies and related resources creation.

In automobile component manufacturing companies, SWOT can be very effective to create a growth potential for the business. Majority of these companies work as suppliers for large scale automobile companies. Automobile component manufacturers are well acquainted with expectations of their customers. These companies can develop there strengths to grab the opportunities offered by their customers.

SWOT is a double sword and any biased analysis about own weaknesses or strengths can create a crisis for the company. It should as sincere as third party audit for perfect outcome from the analysis. It should be a part of management audit system for better results.

A figure shows a conceptual frame work for effective use of SWOT. This frame work provide a base for better understanding of business environment, analysis of potential threats which may lead to crisis and at the same time search for opportunities which are offered by environment.
Firm can build four strategies before strategic planning.

- **S-O Strategy**
  - To study the opportunities that can be filled with company’s competitive and core competence and resources that can be utilised.
  - To Add or Improve resource capabilities with respect to additional opportunities.

- **W-O Strategy**
  - To improve weakness to pursue opportunities.
  - Overall review of weaknesses for Improvement (review with competitors)
• S-T Strategy
  o Identify the ways the firm can counter the External threats with the help of strengths resources and competitive advantages.
  o Action plan for the anticipated external threats that cannot be counter (diversifications, Innovation, Acquisitions etc.)

• W-T Strategy
  o Establish defence action plan to prevent weaknesses from external anticipated threat
  o To review such weakness to be able to counter the External threat.

SWOT is a method of categorization and has its own weakness. It only list the categories rather think about what is important to achieve objectives. The entire list is without clear prioritizing in relation with objective.

3.2.8 Value Chain:
Michael Porter’s value chain concept: Value chain consists of chain activities in a specific industry in order to deliver valuable product and service to the customer. Michael Porter first derived the concept of value chain for business management in his bestseller book “Competitive advantage creating and sustaining superior.”

Figure 3.10 Michel Porter’s Value Chain
Value chain is a decision making model used to improve the performance of individual value adding elements in a manufacturing company. Every activity in manufacturing has a scope for improvement and deliver a better value for customer. Internal processes are the potential sources of crisis and company needs to avoid this self inflicted crisis.

Value chain elements in a typical automobile component manufacturing company can be

1) Inbound logistics- Purchasing, sourcing

2) Operation- (Manufacturing and allied activities)

3) Out bound activities- (Distribution and logistics)

4) Marketing, sales- Communication & persuading customers

5) Service - After sales

6) Infra structure – Management, planning, finance A/c etc

7) HRM – Staff

8) Technology - New technology

9) Procurement – Other than Raw material

Automobile component manufacturing companies work on low margins and over expenditures on any value chain element can create a direct impact on bottom-line of the company. Value Chain analysis is very effective management control tool for these companies. Value chain is a strategic cost management tool to derive cost advantage for the company. It adds value in decision making because-

- Value chain consists of designing, producing, marketing, delivering and supporting a product and services.
- Value chain is the linkage of set of activities and functions a firm performs with the supply chain.
- Value chain includes profit margin as a mark up over cost of operations.
- Value chain is relevant to the activities & processes of company’s cost structure.
Most often, various elements in supply chain are elements of value system.

3.2.9 Mckinsey ‘7S’ Model

7S model was developed at Mckinsey & Co Consulting Firm in 1980. This model describes how efficiently one can organize a company. This model is based on the theory that, for an organization to perform well and achieve its objectives, all seven elements must be aligned mutually. 7S model can be used to analyze the current situation and prepare for future goals, and then identify the gaps and inconsistencies between them. It is then action of adjusting and tuning the individual elements to ensure organization works efficiently.

Definition: A model of organization effectiveness that postulates that there are seven internal factors, that needs to be aligned and reinforced in order to be successful.

Figure 3.11 7S Model

7S model specifies seven factors that are classified into hard and soft elements. Hard elements are easily identified and influenced by management while soft elements are more intangible and are influenced by corporate culture.
Hard elements are Strategy, Structure, and System

Soft elements are Shared Values, Style, Skill and Staff

In crisis management related to internal business environment, 7S model can be used effectively to create a balance between various internal subsystems. This model is methodological approach to design strong internal balanced and supportive systems.

Getting the balance right in this model means getting culture right. In addition to central value alignment, each of the seven elements has definite role in the designing correct organization.

1. Strategy- A corporate plan to create competitive advantage.
2. Structure – Line of reporting, task allocation coordination and supervisory levels.
3. System – The supporting system and processes of organization like information system, financial reporting, payment systems, resource allocation etc.
4. Shared Values – These are core values of the company and form underpinning culture and how the business behaves in wider context of the community.
5. Style – The style of leadership adopted by the organization.
6. Staff – The number and types of employees with the organization.
7. Skills - Skills and competency available with the company.

The decision process by application of 7S Model –

- Understand current state where company stands now
- Understand future state, where company want to go
- Create 7S model review on the current state by examining all elements and understand current values of each element
- Create 7S model on future state, and expected values of each elements.
- Compare the future frame with the current state. Identify the gaps and create action plan to bridge the gaps.

3.2.10 Balance Scorecard:xi
Balanced Scorecard is internal value creation model and works on principle of interlinking and interdependence of various functional perceptive. Balanced scorecards are becoming a vital tool for the management control. Balanced scorecard is a format for describing activities of an organization for each of four perspectives. It is developed in 1992 & since then the concept has been widely accepted as a new approach for developing management control systems and performance management.

Every company has four major areas of focus; Customer, Financial Results, Internal processes and learning and development attitude of the organization. These are the basic foundations of any business. These four areas are major source of internal crisis. Overemphasis or negligence on establishing performance standards for these focus areas can create imbalance in system and may lead to severe crisis.

Balanced Scorecard is a strategic decision model and useful for communicating strategic intentions, discussions on activities that are evolved by strategic aims and monitoring and rewarding such activities. Balanced Scorecards are used as customized communication tools within management control system.

Various strategic decisions such as customer focus strategy, functional strategies for finance and operations, new product and process development can be derived by formation of Balanced Scorecard.

**Decision process followed by creating balanced scored card**-

Prepare a scorecard indicating four perspectives and design quantitative performance parameters for each perspective.

- Finance perspective - Critical success factor of finance function such as profitability, cost of manufacturing, budgets, cost f capital and sources of funds are considered.
- Customer – Customer satisfaction Indices and the general idea that was important to monitor value as perceived by customer.
- Internal Processes – It is necessary to improve processes as a critical business success promoted through TQM (Total Quality Management) & BPR (Business Process Reengineering).

- Development and learning perspective – As a means to provide satisfaction for internal and external parties stake holders with improved products and services.

Figure 3.12 Balanced Scorecard Concept

Balanced Scorecard is a flexible model where organization can create their own templates for management control and performance enhancement. Most important aspect of creating a template is to establish a link between various perspectives. This interlinking of perspectives helps to understand interdependent role of various functions and helps to minimize the conflicts. People will come together for a common goal to balance each other’s performance and achieve common goal set by the organization.

To enhance the performance decision making approach can be fine tunes by scientific utilization of scorecards. As shown the sample template, company can perform internal environment assessment and establish performance standards.

The decision process that can be followed to improve performance is-

- Create a strategic aim and focus for every perspective.
Identify critical success factors for each perspective.

Develop performance measurement metrics and set goals and target.

Create action plan to achieve goals and targets.

Monitor performance regularly through internal audits and establish control mechanism.

Balanced scorecard template shown in figure is one of approaches to use balanced scorecard effectively.

Procedure to use template:

- Analyze the strategic goals for each balanced scorecard perspective
- For each strategic goal establish performance indicator
- Balance the strategic goals with the perspectives
- Balance the performance indicators
- Decide the action for performance indicators and strategic goals.

Figure 3.13 Balanced Scorecard Template for manufacturing Industry.
Balanced Scorecard Template

<table>
<thead>
<tr>
<th>Strategic Aim</th>
<th>Critical Success Factors</th>
<th>Metrics and Targets</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>Profitability</td>
<td>Higher sales / asset ratio</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Growth</td>
<td>Presence in major growth markets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customer Attributes</td>
<td>Knowledge about custom situation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>Able to communicate customer advantage</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Development</td>
<td>Efficient, Agile Innovation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Products</td>
<td>Know-how Applications</td>
<td></td>
</tr>
</tbody>
</table>


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