2.1 CONCEPT OF STRATEGY

The concept of strategy is central to understanding the process of strategic management. The term “strategy” has entered in the field of management more recently. It has been derived from the Greek word ‘strategos’, which means general. Therefore, the word ‘strategy’ literally means the art of the general. Frequently used in military science, it means the art of so moving or disposing the instruments of warfare (troops, ships, aircrafts, missiles etc.) as to impose upon the enemy the place, time and conditions for fighting by oneself. Strategy ends or yields tactics when actual contact with enemy is made. However, in organisations it is used in different forms. For example, strategy is –

- a plan or course of action or set of decision rules forming a pattern or creating a common thread.

- the pattern or common thread related to the organisation’s activities which are derived from its policies, objectives and goals.

- related to pursuing those activities which move an organisation from its current position to a desired future state.
- concerned with the resources necessary for implementing a plan or following a course of action, and

- connected to the strategic positioning of a firm, making trade off between its different activities, and creating a fit among these activities.

2.2 MEANING AND DEFINITION OF STRATEGIC MANAGEMENT

Strategic Management is the emerging discipline that forms the theoretical framework for business policy. Through the process of strategic management, strategic decision-making is carried out. The term "strategic management" has been defined and interpreted in different ways by various authors.

Some of the important definitions of the term "strategic management" as given by various authors are stated below:

- "Strategic management is a stream of decisions and actions which leads to the development of an effective strategy or strategies to help achieve corporate objectives".1 by Glueck.

- "It is the process which deals with the fundamental organisational renewal and growth with the development of strategies, structures, and systems necessary to achieve such renewal and growth, and with the organisational systems needed to effectively manage the strategy formulation and implementation processes".2 by Hofer and others.

- "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".3 –by Ansoff.

- “Strategic management is 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 organisation”.4 –by Sharplin.

- “Strategic management is the process through which organisations analyse and learn from their internal and external environment, establish strategic direction, create strategies that are intended to help achieve established goals, and execute these strategies all in an effort to satisfy key organisational stakeholders”.5 –by Harrison and St. Jhon.

Thus, the term “strategic management” is defined differently by different authors. But when we analyse the above definitions, we can define strategic management in a simple way as either decision making and planning, or a set of activities related to the formulation and implementation of strategies to achieve organisational objectives. The study of strategic management emphasises monitoring and evaluating environmental opportunities and threats in the light of a organisation’s strengths and weaknesses.

2.3 IMPORTANCE OF STRATEGIC MANAGEMENT

Strategic management offers both financial as well as non-financial benefits to an organisation, which practice it. The following table brings the benefits of strategic management.
**Exhibit 2.1 Benefits of strategic management**

1. Allows identification, prioritisation and exploitation of opportunities.

2. Provides an objective view of management problems.

3. Represents a framework for improved co-ordination and control of activities.

4. Minimises the effects of adverse conditions and changes.

5. Allows major decisions to better support established objectives.

6. Allows more effective allocation of time and resources to identified opportunities.

7. Allows fewer resources and lesser time to be devoted to correcting erroneous or ad hoc decision.

8. Creates a framework for internal communication among personnel.

9. Helps to integrate the behaviour of individuals into a total effort.

10. Provides a basis for the clarification of individual responsibilities.

11. Gives encouragement to forward thinking.

12. Provides a co-operative, integrated and enthusiastic approach to tackle problems and opportunities.

13. Encourages a favourable attitude towards change.

2.4 STRATEGIC MANAGEMENT PROCESS

Strategic management as a process consists of the following four phases:

(a) Establishing the hierarchy of strategic intent.

(b) Formulation of strategies.

(c) Implementation of strategies.

(d) Performing strategic evaluation and control.

These four phases of the process of strategic management are sequentially linked to each other and each successive phase provides a feedback to the previous phases. The phases in strategic management are shown below:

Exhibit 2.2 Phases in Strategic Management Process.

2.5 ELEMENTS IN THE STRATEGIC MANAGEMENT PROCESS

Each phase of the Strategic Management consists of a number of elements. These elements are discrete and identifiable activities performed in logical and sequential steps. Some of such elements included in the different phases of the process of Strategic Management are mentioned below:

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

2. **Formulation of strategies:**

   a) Performing environmental appraisal.
   
   b) Doing organisational 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:

a) Activating strategies.

b) Designing structures and systems.

c) Managing behavioral implementation.

d) Managing functional implementation.

e) Operationalising strategies.

4. Performing strategic evaluation and control:

a) Performing strategic evaluation.

b) Exercising strategic control, and

c) Reformulating strategies.

2.6 MODEL OF STRATEGIC MANAGEMENT PROCESS

The process of Strategic Management can be depicted through a comprehensive model, which consists of different phases, each phase having a number of elements, as shown below:
Exhibit 2.3 Comprehensive model of Strategic Management Process.

- Establishing strategic intent
  - Vision, mission, business definition and objectives

- Formulation of strategies
  - Environmental Appraisal
  - Organisational Appraisal
  - SWOT Analysis
  - Corporate level strategies
  - Business level strategies
  - Strategic choice
  - Strategic plan

- Strategy Implementation
  - Project
  - Procedural
  - Resource allocation
  - Structural
  - Behavioural
  - Functional and operational

- Strategic Evaluation

Let us present a bird’s eye view of the different elements of the process of strategic management as shown above:

1. The hierarchy of strategic intent lays the foundation for the strategic management of any organisation. This hierarchy consists of the vision, mission, business definition and objectives. Here, the element vision states what an organisation wishes to achieve in the long run. The mission relates an organisation to society. The business definition explains the business of an organisation and objectives of an organisation states what is to be achieved by the organisation in a given time period.

2. The strengths and weaknesses of an organisation and the opportunities and threats operating in the environment can be found out with the help of environmental and organisational appraisal.

3. Strategic alternatives and choices are required for evolving alternative strategies out of the many possible options, and choosing the most appropriate strategy or strategies in the light of environmental opportunities and threats and corporate strengths and weaknesses. Strategies are chosen at the corporate and business level through the process of strategic analysis and choice. The end result of this set of elements is a strategic plan, which can be implemented.

4. The strategic plan is implemented through six sub processes, viz., project implementation, procedural implementation, resource allocation, structural implementation, behavioural implementation, and functional and operational implementation. The emphasis in the implementation phase of strategic management is on action.
5. The last phase of strategic evaluation appraises the implementation of strategies and measures organisational performance. The feedback from the strategic evaluation is meant to exercise strategic control over the strategic management process and if necessary strategies are reformulated.

2.7 STRATEGISTS AND THEIR ROLE IN STRATEGIC MANAGEMENT

The individuals or groups who are primarily involved in the formulation, implementation and evolution of strategy are called strategists. The managers in an organisation as well as the persons outside the organisation may work as strategists and involve themselves in various aspects of strategic management. We can classify these strategists as board of directors, chief executives, entrepreneurs, senior management, the SBU-level executives, corporate planning staff, consultants, middle level managers, and executive assistants. Each of these strategists plays a different role in different phases of the strategic management process.

2.7.1 Role of Board of Directors

The role of the board of directors has come under intense scrutiny in recent times leading to the emergence of the issue of corporate governance, a system by which corporate entities are directed and controlled. In strategic management, the role of the board is to guide the senior management in setting and accomplishing objectives, reviewing and evaluating organisational performance and appointing senior executives. The function of the board is usually seen in terms of setting the strategic direction,
which involves establishing objectives and strategy and subsequently monitoring and reviewing achievement.

The affairs of the Assam State Transport Corporation (ASTC) is also being managed by Board of Directors consisting of Eleven members including the Chairman and its executive power has been vested in the Managing Director, who looks after the day to day operations of the organisation. However, there is no much clarity regarding the exact role that the Board should play in managing the affairs of the Corporation. It depends upon the power wielded by the Board and the Chief Executive or the Managing Director. When there is high level of clarity regarding their respective roles, the relationship between the Board and the Chief Executive/Managing Director is cordial and the functioning of the Board is smooth and when such clarity is low, problems do occur.

2.7.2 Role of Chief Executive Officer (CEO)

The CEO sometimes designated as the Managing Director, Executive Director, President or General Manager is the most important strategist who is responsible for all aspects of strategic management in an organisation, from the formulation to the evaluation of strategy. The CEO is the person who is chiefly responsible for the execution of those functions which are of strategic importance to the organisation. He/she plays a significant role in setting the mission of the organisation, deciding the objectives and goals, formulating and implementing the strategy and in general, seeing to it that the organisation does not deviate from its predetermined path designed to move it from the position it is in to where it wants to be.
The Managing Director is the Chief Executive Officer (CEO) of the ASTC. Being a chief executive, the Managing Director of ASTC controls and manages each and every affair of the Concern.

2.7.3 Role of Entrepreneurs

The entrepreneurs play a proactive role in strategic management. As initiators, they provide a sense of direction to the organisation, and set objectives and formulate strategies to achieve them. They are the major implementors and evaluators of strategies. The entrepreneurs generate a sense of purpose among their subordinates.

In the field of State Transport where there is little scope for innovation and entrepreneurship, Sri R.C. Jain, Ex- Managing Director of ASTC provides an excellent example of the role of entrepreneurs as strategists. In the generally accepted sense, he is not an entrepreneur, as he was the CEO of ASTC. But he is the initiator who undertook the mission of revival of ASTC, under the leadership of Sri Tarun Gogoi, Hon’ble Chief Minister of Assam and particularly Sri Anjan Dutta, the then Hon’ble Transport Minister of Assam. Hence, credit can be given to the initiatives of Sri R.C. Jain, Ex- MD of ASTC, for providing a sense of direction, setting strategies for revival of ASTC, improving systems and Customer(passenger) services provided by ASTC.

2.7.4 Role of Senior Management

The senior management consists of managers at the highest level of the managerial hierarchy starting from the Chief Executive to the level of functional or profit centre heads. These managers perform a variety of roles in strategic management.
by assisting the Board and the Chief Executive in the formulation, implementation and evaluation of strategy. Organisationally, they come together in the form of different types of committees, task forces, work groups, think tanks, management teams and so forth, to play a very important role in strategic management.

At ASTC, the implementation of strategies and plans are done through its various senior management personnel, viz., its Chairman, Managing Director, Chief Engineer (Automobile and Technology), Law and Claims officer, Stationery officer, Deputy General Manager, Chief Engineer(Civil) etc.

2.7.5 Role of SBU-level Executives

The rationale for organizing the structure according to SBUs is to be able to manage a diversified company as a portfolio of business, each business having a clearly defined product market segment and a unique strategy. SBU-level executives, also known as either profit centre heads or divisional heads, are considered the Chief Executives of a defined business unit for the purpose of strategic management. SBU-level executive wields considerable authority within the SBU while maintaining coordination with the other SBUs in the organisation. SBU-level strategy formulation and implementation are the primary responsibilities of the SBU-level executives.

At the ASTC for managing and controlling its 8(eight) divisions located at Guwahati, Bongaigaon, Jorhat, Nagaon, North-Lakhimpur, Silchar, Tezpur, and Tinsukia, Divisional Manager/Divisional Superintendent posts have been created. And for managing the different bus stations under each division Station Superintendent and Asstt. Station Superintendents are appointed. They are responsible for the over-all management and control of the bus stations under their supervision.
2.7.6 Role of Corporate planning staff

The corporate planning department is not responsible for strategic management and usually does not initiate the process on its own. It plays only a supportive role in strategic management. It assists the management in all aspects of strategy formulation, implementation and evaluation. Besides this, they are responsible for the preparation and communication of strategic plans, and for conducting special studies and research pertaining to strategic management.

2.7.7 Role of Consultants

Sometimes the services of some external consultants may be individuals, academicians, or consultancy companies specialising in strategic management activities are also hired by some organisations. The main advantages of hiring such consultants are getting an unbiased and objective opinion from a knowledgeable outsider, cost-effectiveness, and the availability of specialists’ skills.

2.7.8 Role of Middle level Managers

The Middle level Managers rarely play an active role in strategic management, as they are basically involved in the implementation of functional strategies. They are the implementors of the decisions taken above, followers of policy guidelines, and passive receivers of communication about functional strategic plans. They form the catchment areas for developing future strategies for the organisation.

2.7.9 Role of Executive Assistant

An Executive Assistant is the person who assists the Chief Executive in the performance of his duties in various ways, viz., by assisting the Chief Executive in
data collection and analysing, suggesting alternative decisions, preparing briefs of various reports, helping in public relations and liaison functions, co-ordinating activities with the internal staff and outsiders, and acting as a filter for the information coming from different sources. However, the position of an Executive Assistant in the managerial hierarchy is a recent phenomenon. In case of the managerial hierarchy of ASTC, this kind of position has not been still created.

2.8 SELECTION OF STRATEGIC ALTERNATIVES

Strategic Alternatives are basically about the choice of direction that a firm may adopt in order to achieve its objectives. They are basically about the decisions related to allocation of resources among the different business of a firm, transfer of resources from one set of business to others and management and nurturing of a portfolio of business so that overall organisational objectives are achieved.

There are many strategic alternatives that an organisation may adopt for its management. However, the choice of a strategic alternative for the viable management of an organisation would much depend on how an organisation perceives its strengths and weaknesses. The strategic alternatives revolve round the question of whether to continue or change the business the enterprise is currently in or improve the efficiency and effectiveness with which the firm achieves its organisational objectives in its chosen business sector. The major strategic alternatives that the organisations may adopt are:

i) Stability strategy

ii) Expansion strategy
iii) Retrenchment strategy
iv) Combination strategy
v) Restructuring strategy

Let us give a bird's eye view on the viability of these strategies for the management of an organisation one by one:

2.8.1 Stability Strategy:

This type of strategy is supposed to be adopted by an organisation when it does not go beyond what it is presently doing, it serves the same markets with the same products using the existing technology. By adopting stability strategy an organisation attempts only an incremental improvement of its functional performance by marginally changing one or more of its business. This type of strategy is usually viable for small and medium sized firms who are operating in a reasonably certain and predictable environment in short run only.

Stability Strategy can be adopted by an organisation in any of the following three forms:

a) No change strategy: Under this strategy, the organisation does nothing new, rather it continues with its existing business definition. This strategy is based on the notion that taking no decision is sometimes a decision too. This type of strategy is viable for small and medium sized firms operating in a stable and niche market that is limited in scope and offers products and services through a time-tested technology.
b) **Profit strategy**: This strategy is adopted by a firm when the problems faced by it are short lived, temporary, and go away with time. According to this strategy until the situation would turn favourable, it is better to lie low and sustain profitability by whatever means possible.

c) **Pause/Proceed-with-caution strategy**: Like profit strategy it is also a temporary strategy. Under this strategy, the firms usually test the ground before moving ahead with a full-fledged grand strategy. Under this strategy, a deliberate and conscious attempt is made by the firm to adjourn major strategic changes to a more opportune time.

### 2.8.2 Expansion Strategy:

This is the most popular strategy. Under this strategy, the organisations aim at high growth by substantially broadening the scope of one or more of its business in terms of their respective customer groups, customer functions and alternative technologies- singly or jointly- in order to improve its overall performance. This strategy may be adopted by the organisations in any of the following ways:

a) Expansion through concentration

b) Expansion through integration

c) Expansion through diversification

d) Expansion through co-operation

e) Expansion through internationalisation
a) Expansion through concentration: Concentration strategy also known as intensification, focus or specialisation strategy involves converging resources in one or more of a firm's business in terms of their respective customer needs, customer functions or alternative technologies, either singly or jointly, in such a manner that it results in expansion.

b) Expansion through integration: Under this strategy, the basic activities related to the present activity of a firm are combined together. Such a combination may be done on the basis of the value chain i.e. a set of interlinked activities performed by an organisation right from the procurement of basic raw materials down to the marketing of finished products to the ultimate consumers. The adoption of integration strategy by a firm results in widening of the scope of the business definition of a firm. Generally, the process based industries, such as, petrochemicals, steel, textiles, or hydrocarbons have integrated firms.

c) Expansion through diversification: It is much used and talked about strategy. This strategy involves a substantial change in the business - singly or jointly-in terms of customer functions, customer groups or alternative technologies of one or more of a firm’s business. Diversification may be internal or external, related or unrelated, horizontal or vertical and active or passive. Adoption of these diversification strategies by an organisation helps the organisation to capitalise on organisational strengths on the one hand and to minimize risk by spreading it over several business on the other hand.

d) Expansion through co-operation: Under this strategy, there exists simultaneous competition and co-operation among rival firms for mutual benefit. Such co-operation
may take place through mergers, takeovers or acquisitions, joint ventures or strategic alliances.

**Merger:** A merger is a combination (other terms used: amalgamation, consolidation or integration) of two or more organisations in which one acquires the assets and liabilities of other in exchange for shares or cash, or both the organisations are dissolved and the assets and liabilities are combined and new stock is issued. It is an acquisition for the organisation which acquires another, and it is a merger for the organisation which is acquired. If both organisations dissolve their identity to create a new organisation, it is consolidation. Mergers may be horizontal, vertical, concentric, or conglomerate mergers. There are several examples of mergers in the Indian corporate world, such as, Polyolefin Industries with NOCIL, TVS Whirlpool Ltd with Whirlpool of India Ltd and Nirma Detergents Ltd, Nirma Soaps and Detergents Ltd, and Detergents Ltd with Nirma Ltd.

**Takeover:** Takeover or acquisition is another popular strategic alternative adopted by Indian companies. It can be defined as “the attempt (often sprung as a surprise) of one firm to acquire ownership or control over another firm against the wishes of the latter’s management (and perhaps some of its stockholders)”

Takeovers are frequently classified as hostile takeovers and friendly takeovers. Hostile takeovers are against the wishes of the acquired firm, whereas friendly takeovers took place by mutual consent of both firms.

In India, takeovers are expected to be a viable strategic alternative for organisations which choose the external expansion strategy. The reasons for takeovers are many: quick growth, diversification, establishing oneself as an industrialist,
reducing competition, increasing the market share, or even creating goodwill. However, besides these rational reasons there are some irrational reasons also such as greed or lust to become rich, to accumulate wealth, to build an ‘industrial empire’ or to humble competitors and business opponents.

**Joint ventures:** Joint ventures are a special case of consolidation where “two or more companies form a temporary partnership (also called a ‘consortium’) for a specified purpose”.

From the point of view of Indian organisations, the following types of joint ventures may take place:

1. Between two firms in one industry
2. Between two firms across different industries
3. Between an Indian firm and a foreign company in India
4. Between an Indian firm and a foreign company in that foreign country
5. Between an Indian firm and a foreign company in a third country

Joint ventures are useful to gain access to a new business mainly under the following four conditions:

1. When an activity is uneconomical for an organisation to do alone.
2. When the risk of business has to be shared and, therefore, is reduced for the participating firms.
3. When the distinctive competence of two or more organisations can be brought together.

4. When setting up an organisation requires surmounting hurdles, such as, import quotas, tariffs, nationalistic-political interests and cultural roadblocks.

Thus the joint venture strategies help in minimising risk, reducing an individual company's investment, having access to foreign technology, access to governmental and political support, broad-based equity participation, entering new fields of business and synergistic advantages. However, certain disadvantages may also occur while adopting joint venture strategies, viz., problems in equity participation, foreign exchange regulations, lack of proper co-ordination among participating firms, cultural and behavioural differences and the conflict among the partners. Despite the problems faced, joint ventures offer a viable strategic alternative for organisations interested in external expansion strategies.

**Strategic alliances**: Now-a-days strategic alliances serves as an important strategic alternative for firms looking for co-operation among national as well as international partners. Strategic alliances are partnerships between firms whereby their resources, capabilities and core competencies are combined to pursue mutual interests to develop, manufacture, or distribute goods or services.

In India, liberalisation and globalisation has spurred the growth of strategic alliances. Through strategic alliances, the global partners can help local firms by developing global quality consciousness, creating adherence to international quality standards, providing access to state-of-the art technology, gaining entry to worldwide
mass-markets, and making funds available for expansion. Besides these, strategic alliances lead to the availability of professional management expertise, international reputation, global brand name and brand equity, and confidence to gain a foothold in the international markets.

Some of the examples of strategic alliances are TVS-Suzuki and Mahindra-Ford; BPL-Sanyo; Videocon-Sansui; Ranbaxy and Eli-Lilly of the U.S.; Unitech-and Hyundai Engineering and Constructions; THC India and Trafalgar House International; Tarmat and Samsung; Taj Hotels and British Airways, and others.

(e) Expansion through internationalisation: Simply internationalisation is also a type of expansion strategy that requires firms to market their products or services beyond the domestic or national market. However, situations differ from country to country. For a firm in U.S., internationalisation may mean extending the reach of their products or services to foreign markets where these are not available or, if available, are expensive and not of the required quality. For an Indian firm the motives may be quite different. Here the firm may be constrained by the legal and administrative system, and additionally, may have exhausted the domestic potential so it is forced to expand internationally.

For adopting this strategic alternative the firms are required to assess the international environment, evaluate its own capabilities, and devise strategies to enter foreign market.
2.8.3 Retrenchment Strategy:

This grand strategy is adopted by an organisation when it aims at contraction of its activities through substantial reduction or the elimination of the scope of one or more of its business, in terms of their respective customer groups, customer functions, or alternative technologies — either singly or jointly — in order to improve its overall performance. Thus, retrenchment attempts to 'trim the fat' and results in a 'slimmer' organisation.

An organisation may adopt different types of retrenchment strategies, which may include:

a) Turnaround strategy

b) Divestment or divestiture strategy

c) Liquidation strategy

a) Turnaround Strategy: Turnaround means reversing a negative trend. An organisation adopts a Turnaround Strategy if it chooses to focus on ways and means to reverse the process of decline. A particular organisation may adopt the turnaround strategy if the following danger signs are indicated in it:

i) Persistent negative cash flow

ii) Negative profits

iii) Declining market share

iv) Overstaffing and high employee turnover
v) Deteriorating physical facilities

vi) Mismanagement

vii) Uncompetitive products or services, etc.

For overcoming the above danger signs an organisation adopts turnaround strategy. There are three different ways in which turnaround can be handled:

1. The existing Chief Executive and Management team handles the entire turnaround strategy with the advisory support of a specialist external consultant. But this method is rarely attempted in practice, for the use of this method can only be successful if the Chief Executive has a reasonable amount of creditability left with the banks and financial institutions and a qualified consultant is available.

2. In another method, the existing team withdraws temporarily and an executive consultant or turnaround specialist is employed to do the job. This person is usually deputed by the banks and financial institutions and after the job is over, reverts to the original position. This method is also very rarely used in India.

3. The last method- the one most difficult to attempt but that is most often used- involves the replacement of the existing team, specially the Chief Executive, or merging the sick organisation with a healthy one.

b) Divestment Strategy: Divestment Strategy also known as divestiture or cutback strategy is a part of rehabilitation or restructuring plan and is usually adopted when a turnaround has been attempted but has proved to be unsuccessful. Under this strategy, an organisation cuts off the loss making units, divisions or SBUs, curtails its product
line or reduces the functions performed. With the increasing pressure to streamline and restructure business and the emergence of professional management, divestment strategies have become quite popular in Indian industries. With a wide-ranging portfolio of business, companies had no option but to diversify.

A divestment strategy may be adopted by an organisation under the following circumstances:

1. When an acquired business proves to be a mismatch and cannot be integrated within the company or a project proves to be unviable in the long run.

2. If there is persistent negative cash flow from a particular business.

3. If there is cut throat competition and the firm is unable to cope with it.

4. If there is the need for technological upgradation of the firm for its survival, but the firm is unable to invest in it.

5. Over size and the resultant inability to manage it creates the need for divestment.

6. For attracting the provisions of the MRTP Act, divestment strategy is adopted.

7. By selling off a part of a business the company may be in a position to survive.

8. Divestment by one firm may be part of a merger plan executed with another firm, where mutual exchange of unprofitable divisions may take place.

c) **Liquidation Strategy:** It is one of the most extreme and unattractive retrenchment strategy. If neither the turnaround nor the divestment strategy works liquidation strategy is adopted as a last resort. Under this strategy, the activities of the firm are totally abandoned and the firm is closed down and its assets are sold off. However,
liquidation is the most unpleasant strategy because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities and the stigma of failure. Although liquidation strategy is unpleasant as a strategic alternative, but when a "dead business is worth more than alive", it is a good proposition.

2.8.4 Combination Strategy:

Combination Strategy is a mixture of stability, expansion or retrenchment strategies. They are applied either simultaneously (at the same time in different business) or sequentially (at different times in the same business). Generally, multi-business organisations have to follow multiple strategies either simultaneously or sequentially.

It is very difficult for an organisation to grow and survive simply by adopting a single 'pure' strategy, rather it has to adopt different strategies at different times according to the demand made upon the organisation. For example, an organisation which has followed stability strategy for quite some time has to think for expansion. Any organisation which has been on an expansion path for long has to pause to consolidate its business.

2.8.5 Restructuring Strategy:

Restructuring is a very popular term and is used in different contexts. When referred to at macro level or at the global or country level economic restructuring means the reform processes adopted to make structural adjustments in the economy of
the country, such as reduction or phasing out of subsidies, dismantling of price control etc. At the micro level restructuring has three connotations, viz.,

1. Corporate or business level restructuring

2. Financial restructuring

3. Organisational restructuring

In case of corporate or business level restructuring changes are brought in the composition of a firm’s set of business in order to create a more profitable enterprise. Such restructuring may take two forms, viz. financial restructuring and organisational restructuring. Under financial restructuring changes are brought in equity pattern, equity-holdings and cross-holding pattern, debt-servicing schedule and the like. Whereas organisational restructuring as the name suggests means bringing changes in the structure of the organisation (i.e. the organogram), reducing the number of employees or downsizing, re-designating positions and altering reporting relationships.

Such restructuring strategies are adopted by the firms either to deal with the problems they face or to create a more profitable enterprise. Changes in business portfolio leads the firm to acquire some business on the one hand and to divest some others on the other hand. It indicates that when a firm adopts corporate restructuring for its revival it uses combination strategies. Often restructuring is done through a combination of expansion strategies (intensification, co-operation), and retrenchment strategies of turnaround and divestment.
Looking at the contemporary Indian context it has been found that most of the companies are in the throes of intense change and generally the older companies are adopting restructuring as a strategic choice for their revival, for these companies were over diversified in the first case. However the newer companies set up in 1990s and in the new millennium do not find much need for restructuring. But this does not mean that these companies can afford to be complacent. They too need to be on their guard and continually assess the assumptions and mental models they use to devise their organisations and strategies.

2.9 SELECTION OF STRATEGIC ALTERNATIVE BY ASTC

From the foregoing discussion on the different strategic alternatives available to the firms, the merits and demerits of each of them are very much clear. Considering the merits and demerits of each of the alternatives an enterprise has to select one of them as a strategic choice if the need arises.

The ASTC was one of the biggest public sector undertaking in Assam at one time and was running at profit. But with the passage of time, it has been noticed that it started to deteriorate and gradually its profitability declined and started showing negative profit. If this trend would have been continued ASTC might have been closed down. Hence for the revival of ASTC, the management of ASTC had to undertake certain remedial measures and in the year 2001 when Mr. Anjan Dutta was the Transport Minister, the Managing Director of ASTC Mr. R.C. Jain decided to revive ASTC. Considering the different strategic alternatives available for the purpose of revival of ASTC Mr. Jain undertook restructuring as a strategic choice for its viable management.
For this purpose first of all business-level restructuring has taken place in ASTC. Accordingly some changes are brought about in the composition of its set of business in order to make it a profitable enterprise from a loss making Corporation. The management of ASTC has allowed private sector participation in its operational work by implementing the “Self-Employment Scheme of ASTC, 2001”, in the month of September 2001. Under this scheme, operational and financial sharing has taken place between ASTC and private bus operators. ASTC has allowed the private bus operators to run their vehicles under the banner of ASTC on ASTC routes by using ASTC infrastructure in return for a specified rate of commission as fixed by ASTC from the private bus operators’ earnings of the day. It is to be noted that while allowing private participation in ASTC, the management of ASTC has neither increased its liability nor lost its power and authority, all the liabilities are left upon the private bus operators. ASTC has only allowed the private bus operators to use its banner and infrastructure after fulfillment of certain conditions in return for a specified rate of commission.

Moreover, for the purpose of increasing its sideline earnings ASTC has leased out many of its unused property and commercialized diesel pumps. To earn extra revenue ASTC is also using its infrastructure of buses and stations to display advertisement by private agency. ASTC has also started cargo and courier services with private participation. Thus, due to the private participation in the operational work some amount of financial restructuring has also taken place in ASTC. Now in the earnings of ASTC the commissions received from private buses, which are running under its banner, are included. Moreover, the earnings from rent, advertisement, cargo, courier services etc. from this group of buses are also included.
Besides, the business-level restructuring and financial restructuring the management of ASTC has also undertaken the strategy of organisational restructuring for its revival. It has been revealed from the research study that one of the main reasons for the failure of ASTC was overstaffing. Hence, to overcome the problem of overstaffing ASTC has increased its fleet strength on the one hand and introduced the Voluntary Retirement Scheme on the other hand. Under this scheme about 1809 employees went on voluntary retirement. However, for the efficient functioning of ASTC some new recruitments are also made. According to the information collected from ASTC Head Office, Paltan Bazar, Guwahati, the post of Divisional Manager has been newly created in Guwahati and Jorhat division. The Divisional Manager has to look after the traffic and engineering related matters. Moreover, the post of Divisional Engineer has been eliminated from the central workshop and replaced by Works Manager and more than 60 Assistant Station Superintendent posts have been newly created.

Thus, to rescue ASTC from the verge of collapse and for its revival and viable management, restructuring strategy has been selected as a strategic choice. The ASTC management has undertaken business-level restructuring, financial restructuring as well as organisational restructuring and for the purpose of making such restructuring effective, the management has adopted several strategies. Some of them are:

**Economic Strategy**

(a) Implementation of Voluntary Retirement Scheme (VRS).

(c) Increasing fleet strength by pushing out the shut-down buses after their repair from the workshop.

(d) Increasing sideline earnings by:

- Advertisement on buses and stations,
- Cargo and courier services,
- Commercialization of diesel pumps,
- Leasing out of unused property.

Marketing strategy

(a) Passenger incentive: The scratch card,

(b) Introduction of new and luxurious buses,

(c) Computer ticketing,

(d) Renovation of stations and passenger amenities.

2.10 RATIONALE FOR RESTRUCTURING OF ASTC

Restructuring programme of ASTC mainly deals with the problems being faced by it or to create it as a more profitable enterprise. The rationale for restructuring of ASTC flows owing to the following reasons:

a) Overstaffing.

b) Mismanagement.
c) Lack of profit motto.

d) Under-utilisation of assets and infrastructure.

e) Cut throat competition with private buses.

f) Declining work-culture due to irregular pay to the employees, and

g) Deteriorating public confidence in ASTC and its services, etc.

Notes and References


8. Thompson And Strickland, op. cit, pp 92 -93


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