NEW MANAGERIAL TOOLS FOR STRATEGIC ANALYSIS

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TOWARDS GROUNDED PRAXIS APPROACH TO STRATEGIC MANAGEMENT

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In today's global business context, strategic management has become central to the success of institutions and organizations. The difference between a CEO and a bureaucrat lies in the fact that the CEO is strategy driven, while the bureaucrat gets things done through power. With the emergence of markets as dominant force, strategy has become more important than bureaucratic power to achieve success in a competitive context.

Prof. C.K.Prahlad in his book, 'Bottom of the pyramid' has emphasized the need to create appropriate linkages with the 'bottom of the pyramid'. Though he does not use the expression 'grounded praxis', his suggestions point to the 'grounded praxis approach to strategic management'. In grounded praxis, strategies are not only linked to ground realities but also emerge from the need to change the reality out there. The examples of grounded praxis approach to strategic management include e-choupal concept of ITC, Amul, SEWA, Dabbawalah, etc. The expression 'praxis' has three important ideas viz. P (Philosophy), R (Reality) and A (Action). 'Praxis' implies change in axis through linking Philosophy, Reality and Action. Though this expression has largely been used in social context, it also has relevance for strategic management. Through the strategic actions, an organization seeks to change its axis in many different ways. We use the expression, 'grounded praxis' to highlight many creative ways in which strategy could be linked to ground realities as well as many ways in which strategy could emerge from local contexts.

Grounded praxis approach to strategic management incorporates the concept of 'forward engineering'. Forward engineering provides a foundational premise for the strategic gearing of an organization. keeping in view its existing and new capabilities with respect to anticipated challenges in a competitive environment. An exercise in forward engineering starts with projecting oneself in the future and then moving back in time. It involves creative imaging, envisioning, anticipatory witnessing, mind pooling for creative solutions by relating to ground realities.The exercise of forward engineering is also closely linked with ODM (Organizational Development & Management) and EPIS (Enterprise Performance Improvement System). Thus, the framework of grounded praxis approach to management, integrates forward engineering, ODM, EPIS and ground realities. This framework is presented in Fig.1

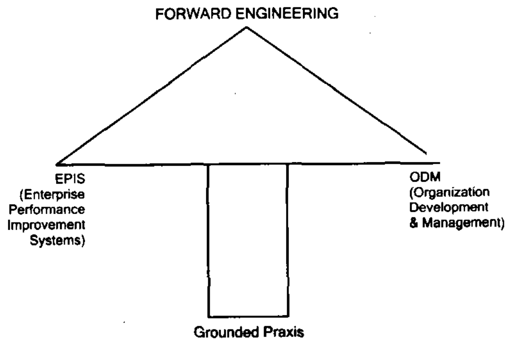

Fig.1: Grounded praxis approach to strategic management

In the discussion below, we suggest some new management tools for 'grounded praxis approach to strategic management'. These tools can be considered as extension of existing management tools of strategic analysis such as SWOT analysis and PESIT (Political, Economic, Social, Institutional and Technological) framework. However, their novelty lies in new insights they provide for strategic analysis. The author has been experimenting with these tools for nearly a decade and discussions on these tools are available in various writings by the author. The specific tools are as follows:

1) **FATE Analysis:** An analysis of Future Anticipated Trends and Events
2) **BOW Analysis:** An analysis of the Barriers, Obstacles and Weaknesses
3) **METRIC Analysis:** Markets, Economic, Technology, Resources, Institutional Capacities
4) **SPOT Analysis:** Space and Pace of Opportunities and Threats
5) CINE Matrix: A matrix of Controllable Internal Non-controllable External factors influencing a decision situation.
6) SPS*S analysis: Strengths, Problems, Solutions & Strategies
7) Anti-benchmarking

In this discussion illustrations are from tea industry. However, these tools can be applied to any strategic context.

I) **FATE Analysis:** In 'FATE' analysis, 'FATE' refers to Future Anticipated Trends & Events'. In addition to the analytical tools of forecasting, etc. an exercise in envisioning helps in scenario mapping about the future trends and events. 'FATE' analysis is futuristic in its orientation. Its focus is on the future and gearing the organization to meet the challenges of changes in future.

II) **BOW Analysis:** 'BOW' refers to Barriers, Obstacles and Weaknesses. In conventional SWOT analysis, the idea of 'W' indicating weaknesses is given its due place. The concept of 'BOW' represents a further refinement of 'W' of SWOT by including the ideas of Barriers and Obstacles that an organization may face in dealing with 'FATE' (Future Anticipated Trends and Events). Barriers and obstacles differ in intensities of difficulties, wherein obstacles refer to relatively more difficult situations compared to barriers. An illustration of 'BOW' analysis for tea industry is provided in Appendix-I.

III) **METRIC Analysis:** 'METRIC' analysis draws our attention to five aspects for improving competitiveness viz. Markets

(M), Economic basis (E), Technology (T), Resources (R) and Institutional Capacities or Competencies (IC). The first factor in this analysis relates to markets. India's tea sector has been experiencing many changes in the market, e.g. changing tastes of customers, preference for branded products, demand for quality teas, etc. While the corporates have responded well to changes in the markets, the small grower section of the industry needs to sensitize itself to such changes in the markets. The second factor relates to economic basis. Economics of tea production has been severely affected due to increase in cost of production. Further, Indian tea industry is known for bearing social cost and this also affects the economics of tea production. While the industry has responded to the same through cost-cutting measures, there are always limits to cost cutting. Hence, the focus should be on value-addition to improve the economic basis of tea production. The third factor, viz. technology - plays a critical role in competitiveness. In tea industry, it implies modernization of processing factories. Industry has responded well to adoption of Information Technology (IT) to improve its competitiveness. The fourth factor for improving competitiveness is the Resources (R) factor. Land, labour, capital and knowledge are the four critical resources. Hence, the need to focus on productivity of land, productivity of labour, productivity of capital and knowledge levels of workforce. The fifth factor for competitive advantage is 'institutional capacity', that includes managerial capacity of the organization or sector. While corporates are well equipped with managerial capacity, capacity building initiatives are needed to improve the managerial capacity of the medium and small grower segment of the industry. This implies taking up 'capacity building' and HRD initiatives within the sector. It may be observed that in 'METRIC' analysis, the first factor is 'Market'. Thus, it draws our attention to the market in contrast to many other mantras that tend to focus on production or the supply side. It may be observed that in 'METRIC' analysis, the demand side is integrated with organizational and institutional factors.

Table 1 summarizes the above discussion on 'METRIC' analysis of Indian tea industry.

Table 1: 'METRIC' Analysis Of Indian Tea Industry

Focus	Key areas of concern
M: Market	Consumer preferences, branding, quality products, niche markets, identify USP (Unique Strategic Positioning) of Indian tea, demand position
E: Economic factors	Cost of production, supply, demand & price
T: Technology	Technological upgradation, modernization of tea factories, information technology
R: Resources	Productivity of land, Productivity of labour, Productivity of capital
IC: Institutional Capacity	Capacity building of small & tiny growers, strengthening grass root institutions

4) **SPOT analysis:** SPOT implies Space and Pace of Opportunities and Threats.

As against SWOT, in SPOT analysis the pace of change gets a due importance. SPOT analysis focuses our attention on a continuous assessment of the changes in the market space and pace. In making an assessment of changes in opportunities and threats both analytical and intuitive methodologies are useful. For subjective assessment 'wishbone' diagnosis through collection of information on the 'market feel' offers a useful tool. Wishbone diagnosis of the space and pace of opportunities and threats can be supplemented with the 'fishbone' analysis of the causes of changes in opportunities and threats. Fig.2 presents in a matrix format the SPOT analysis framework wherein the symbols of flying birds are indicative of the dynamic nature of opportunities and threats in a competitive situation.

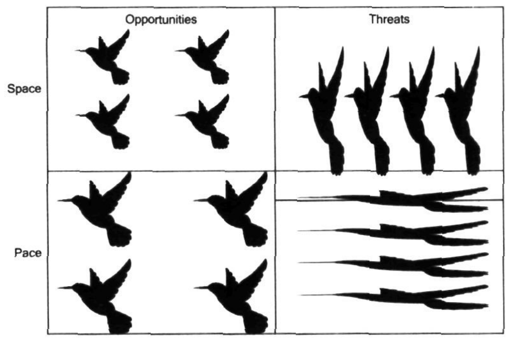

Fig.2: Framework for SPOT analysis

V) **CINE Matrix:** CINE matrix stands for four factors viz. Controllable, Internal, Non-Controllable, External factors affecting a decision situation. In CINE matrix these factors are presented in a matrix format on the basis of internal-external classification and controllable - non-controllable classification as presented in Fig.3. The four cells of the matrix, indicate the controllable-internal, controllable-external, non-controllable-internal and non-controllable-external factors. All the four cells are analyzed and strategies for converting the 'NE' factors to 'CI' factors are drawn up.

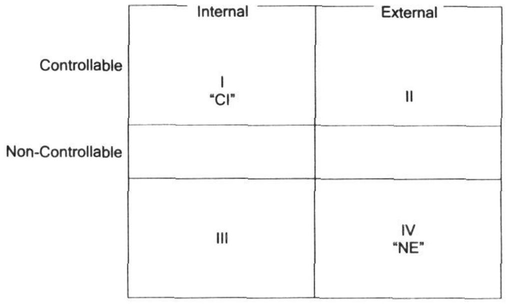

Fig.3: CINE Matrix

For developing CINE matrix specific to the enterprise or industry, a small group of individuals thoroughly familiar with the decision situations, business or the activities of the organization identifies the factors influencing the unit / organization. The factors are then classified in the matrix format to arrive at the situational configuration that managers are facing with respect to these factors. If the situational configuration falls largely in the controllable-internal (CI) cell, managers have greater control over decision influencing factors. However, if the situational configuration largely falls in the non-controllable-external (NE) cell, managers are operating in a situation of difficulty and even adversity. Fig.4 presents the three types of configurations in which an individual manager or a department or an organization may operate. In situation 'a', managers are largely dealing with controllable-internal factors, situation 'c' refers to largely non-controllable-external situation. Situation 'b' is more realistic wherein managers are dealing with all four types of factors.

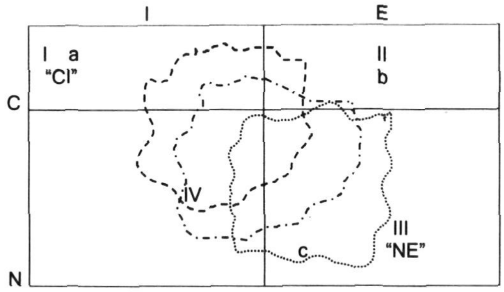

Fig.4: Situational configurations in CINE matrix

For drawing up CINE matrix for the industry, different interest groups such as producers, domestic traders, exporters, regulating agencies, etc. are involved in discussions and each interest group prepares its own CINE matrix. Information from all such group exercises is pooled together to get a CINE matrix overview of the industry. An illustrative CINE matrix related to tea estate is presented in Appendix-II.

5) **SPS*S Analysis:** To facilitate strategic gearing and Total Resources Management, the concept of SPS*S can be used to identify the Strengths, Problems, Solutions and Strategies. SPS*S can be considered as an extension of the SWOT analysis. In SPS*S, managers identify Key Strength Areas (KSAs) and Key Problem Areas (KPAs). These issues are then presented to the group of managers to identify the solutions and articulate the strategies. Thus, SPS*S is not only a brainstorming exercise but also a mind -pooling exercise with a specific view to find solutions. As an illustration of the SPS*S technique we present the KSAs and KPAs identified by a group of managers from a tea company in an interactive session with the author. This data was summarized and is presented in Appendix-III. The raw and summarized data from the managers was then presented to the entire group to identify the solutions to the problems and the strategies for strategic gearing. The solutions and strategies so arrived are not presented in this paper because they became part of the confidential documents of the company.

VII) **Anti-Benchmarking:** While the concept of benchmarking is being widely talked about, our idea of anti-benchmarking is in sharp contrast to benchmarking. The path of benchmarking is one of imitation and replication. The path of anti-benchmarking is that of creativity because it forces us to seek new ways. While we can certainly learn from the benchmarking, anti-benchmarking provides us a clue for a new path and thus leads to a new competitive advantage. The concept of anti-benchmarking vis a vis benchmarking is presented in Fig.5. If person B / organization B / nation B, follows person A / organization A / nation A along the path of benchmarking, it would remain behind particularly if the gap between A and B is large. Hence B takes an anti-benchmarking path and turns out a winner. While it is useful to learn from benchmarking, the essence of winning lies in anti-benchmarking. This is particularly so when the benchmarking gap is very high.

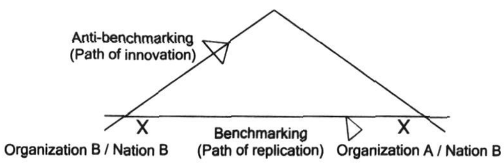

Fig.5: Benchmarking and the anti-benchmarking

In essence a benchmarking path would not lead to emergence of new concepts, ideas and paradigm shifts. This is because there would be a tendency to follow or imitate the beaten path to create carbon copies of existing ideas and concepts. Since new ideas provide new momentum anti-benchmarking approach represents the key to create proactive organizations. Thinking, discovering and competing form the three foundations of such organizations. In fact, the essence of anti-benchmarking lies in thinking, discovering and competing rather than merely learning through benchmarking. The idea of anti-benchmarking forms the foundational premise for the concept of forward engineering developed in this paper.

Driving the FATE

A simplified conceptual framework of forward engineering incorporating all the above discussed tools is presented in Fig.6 and is referred to as 'Driving the FATE' model.

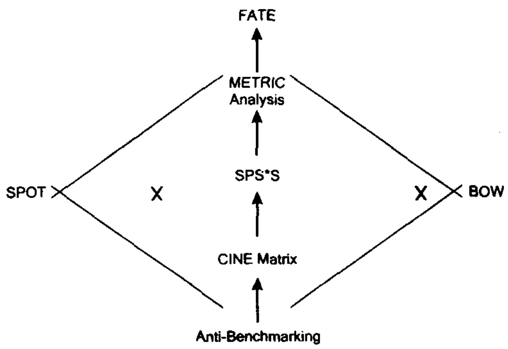

Fig.5: A conceptual model for forward engineering - Driving the FATE

The various strategic management tools presented above, help us in articulating action areas for achieving a new competitive advantage. In the context of Indian tea industry, application of these tools led to various action areas. The same are presented in Table 2.

Table 2: Action areas for a new competitive advantage

Focus	Action Areas
Marketing	Brand building, Market development, Export competitiveness
Cost-control	Cost-cutting circles
Labour productivity	Productivity circles, Harmonization paradigm, Decision circles
Technology	Modernization through technology upgradation
Quality	Quality Management Practices (QMP) / TQM Practices
Capacity building	HRD initiatives / ODM initiatives, Developing market competence of small growers / Self Help Groups
Image building	Neighbourhood relationship, Contribution to society
Performance improvement	Introducing performance score cards
Knowledge management	Improve the knowledge base of workers and managers

To conclude, in this paper we have presented seven new managerial tools for strategic analysis. These tools are the tools of 'grounded praxis' approach to strategic management. In sectoral context, these tools help in identifying action areas with a view to improve the competitive advantage of the sector.

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Appendix-I

BOW Analysis:

Case of A Tea Industry in North East

Barriers	Obstacles
* Inadequate land * Different climatic conditions * Unskilled labour * Lack of mechanization * Inadequate R & D and HRD * Lack of Infrastructural facilities in terms of power * Erratic supply of inputs such as fertilizers, gas, etc. * No control over price realization	* Terrorism * Government interference * Poor communication facilities * Low level of professionalism * Trade unionism * Export bottlenecks * Plantation Labour Acts * Dastoors * Law and order problems * Environmental degradation - floods and soil erosion

Weaknesses
* Antiquated market system * Antiquated machines * Low level of ploughing back of profits * Lack of vision * Low level of motivation of staff * Inadequacy of health care * Poor health of work force * High fixed cost * Debility of soil after use of 100 years or so * Low productivity levels * Lack of career advancement * The R & D transfer too slow

Appendix-II

CINE Matrix for Strategic Gearing:

Case of A Tea Estate

	I	E
C	* Plucking productivity * Late attendance * Job standards * Working hours * Drainage problem * Lack of skilled personnel * Worker's education * Pest and disease management * Deployment of labour * Quality	* Neighboring village relations * Government visitors * Donation seekers * Land encroachment * Availability of fuel * High number of business seekers titled 'anything' enterprises
N	* Nuisance of non-workers staying in the garden * Liquor addiction * Non-employment of school drop-outs * High-absenteeism * Rampant cattle trespassing * Union activities * Sickness	* Communication systems * Political pressure * Government authorities undue pressure * Inadequate medical facilities in Govt. hospitals * Green leaf theft * Blockage of natural water outlets * Electricity supply * Local vandalism * Terrorism, law & order * Weather and climatic conditions * Tea markets * Maintenance of PWD roads * Local unemployment and pressures * Hike in input prices

Appendix-III

SPSS Analysis:

KSAs and KPAs of a Tea Company as Identified by its Estate Managers

KSAs (Key Strength Areas)	KPAs (Key Problem Areas)
Excellent tea estate / Good location	High cost of teas
Renowned brand & company goodwill	The ownership changes have ruined the morale of people
Large quantity of teas being produced	Low productivity of the age old bushes
Professional managerial talent	Militancy
Good quality of tea	Theft of green leaf
Good field practices	Too much interference of Government officials (Inspector Raj)
Good team work, good leadership	Poor road and telecommunication
Will to take the company further	Absenteeism
Good health management at all levels of work force	Unemployed youth on estates
Work culture	Distance of labour lines from plantations
Having good skilled and semi-skilled work force	No uprooting, replanting programmes
Workers are by and large peace loving	Rising production cost
Fairly modern facilities	Infrastructure at the estates needs improvement
Good co-ordination between headquarters and garden operations	Quality inconsistent in some gardens
	Manufacturing policy not clear
	Frequent transfer of executives disrupts planning at garden level