

**STRATEGIC MANAGEMENT OF CHANGE  
FOR COMPETITIVE SUCCESS  
– A STUDY IN INDIAN CONTEXT**

by

**DEEPAK MONGIA**

Department of Management Studies

submitted

in fulfilment of the requirements of the degree of  
**Doctor of Philosophy**

to the



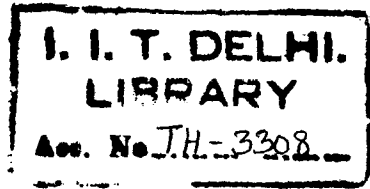
**INDIAN INSTITUTE OF TECHNOLOGY DELHI**

**Hauz Khas, New Delhi - 110016**

**INDIA**

**JANUARY 2003**

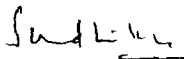
Strategic Management - India  
Business Success - India



7h  
658-3.01(540)  
MON-S

## CERTIFICATE

The thesis entitled **Strategic Management of Change for Competitive Success – A Study in Indian Context**, being submitted by Mr. Deepak Mongia to Indian Institute of Technology, Delhi, for the award of the degree of Doctor of Philosophy (Ph.D) is a record of bonafide research work carried out by him. He has worked under our guidance and supervision and has fulfilled the requirements for the submission of this thesis, which has attained the standard required for a Ph.D. degree of the Institute. The results presented in this thesis have not been submitted elsewhere for the award of any degree or diploma.



**Dr. S. K. Jain**

Research Supervisor

Department of Management Studies

Indian Institute of Technology Delhi

Hauz Khas, New Delhi – 110016



**Prof. Sushil**

Research Supervisor

Department of Management Studies

Indian Institute of Technology Delhi

Hauz Khas, New Delhi - 110016

Dated:

## Acknowledgements

It was a great privilege to have worked with Dr. Sushil, a pioneer the area of Systems Dynamics in India and Flexible Systems Methodology. His supervision and constant encouragement helped me to pursue this multifaceted longitudinal exploration without losing motivation. He has been an inspiration and a role-model to me from the very beginning of this project. I am grateful for his interest, patience and unrelenting commitment to this project.

My heartfelt gratitude to Dr. S.K. Jain who had been a soul-charger and a father figure and a guide during the course of this project. His insight and valuable comments on the percepts, have always made me see the silver-lining in the darkest clouds of doubt during the project. I also take this opportunity to extend my gratitude to Prof. P.K. Jain, whom I admire, for his suave and collected composure and guidance during the initial years of this project. Many thanks to Mr. Ashish Jain for his role as a interface between my professors and me. I extend my thanks to all the other faculty members and administrative staff of the Department of Management Studies for making my long stay a memorable one.

I most gratefully acknowledge the selfless contributions from the top management of the all the organisations (especially in the case studies) who allowed me to encroach into their value time and answered all my probing questions (though sometimes suspecting me to be undercover agent for the competitor). It would be improper for me to name few of the managers in this acknowledgment, since it would require an appendix to include all the names. However special thanks to Mr. Nadar (HCL), Mr. Premji (Wipro), Mr. Banga (HLL), Mr. Patel (P&G), Mr. Kamath (ICICI) and Mr. Parekh (HDFC) who had been very cooperative and supportive of this study. I must not forget their secretaries, without whose support this study would have not been possible at all. I sincerely acknowledge the warm support extended to me by all the senior managers and executives who responded to the questionnaire and responded to my constant e-mail reminders for collection of the data.

I must admit that this study could not have been finished without the support from by wife and family. Specially my sister and brother-in-law, who contributed by taking care of all my needs, so that I could concentrate on this study.

Last but not the least I a grateful to many friends and professional peers who directly or indirectly contributed to this research. I dedicate this study to my parents who gave me the spirit of inquiry and made me see the two sides of the coin – so very useful in this eclectic research.

Date:



Deepak Mongia

## **ABSTRACT**

The old theories on strategy are proving to be insufficient in answering many questions, which continue to haunt many a corporate strategists in the post reforms era of globalisation and liberalisation in India. It is interesting to note the obsolescence of the classical linear thinking laws of strategy in a world changing non-linearly. Though there is nothing wrong, but simply are only applicable in select situations – small periods of static conditions that punctuate the dynamism of the complex and ever changing environments. Change is increasingly seen as the only constant in today's business environment in India. Today it isn't enough to know the future, since "future" has stopped being an extrapolation of the present or the past. Companies can't attempt to create the future continuing with their present structure, systems and strategies, no matter how successful they may have been in the past.

Over the last decade of successive removal of regulatory and restrictive policy in India has synchronised Indian business establishments with the changes occurring at the global level. Indian organisations had resorted to tie-ups, alliances, BPR and global benchmarks to survive the uncertainties of post liberalisation era. The tools to contain the turbulence of mid 1990s changed to strategic outsourcing, creatively imitating the leader, core competencies etc. In the late 1990s, with the emergence of a networked global economy that never seems to sleep, Indian organisations found that competitive advantage in the market was due to their core capabilities, institutionalising the innovational capacities, organizational learning capabilities and doing the right things. The focus of strategy is fast changing from finding an external fit with the environment, to finding an internal fit among firm's structure, systems with its intended strategy. Indian companies have, of late, realised that tools to make sense of changing environment may come and go but the philosophy embedded in the core processes of the organisation.

Two dialectically opposite modes of coping with change have emerged - "Changing while Stable" or "Stability by Change". The choice is between incrementally changing by being relatively stable or by rapidly changing to find that relative stability. Indian companies, however, are realising that these are not inconsistent. By flexible approach both these seemingly dialectical opposite paradigms of organisational competence can be bridged.

Competitive success in the market place now depends on "how fast", "how well" (with fallback options) and "how" (with what choices) an organisation reacts to change. Having a basket of alternate strategies, innovating continuously, fast learning skills and capabilities, effective leadership and receptive culture and fast change mechanisms are increasingly been seen as the hallmark of success in the twenty-first century.

It was thought that it is difficult for the firm to build capabilities and competencies for these contradictory paradigms. Hence, a dialectical approach was used to uncover the paradoxical paradigms of the core areas of strategic thinking in an organisation.

The specific objective of the study therefore, is to understand strategic processes, which help manage these dialectical paradigms for the firm. To exhibit the creative tension between the thesis and anti-thesis giving rise to totally out-of-the-box solutions for competitive success.

The methodology for this research has been influenced by three conceptual leads. First is the Flexible Systems Methodology. The second is the thematic and theoretical constructs of the processes of strategy. Lastly, the framework development is highly influenced by the SEI-CMM (Software Engineering Institute's - Capability Maturity Model) to give the framework a practical punch.

To validate the concept of processes of strategy, three pairs of case studies were analysed by SAP-CAP-LAP analysis. These detailed comparative case studies in three highly volatile sectors of FMCG (soaps and detergents), Banking and Information Technology, helped to bring out the contrast between the operative processes used in two competing firms in the same sector. This also resulted in enriching the theoretical constructs on the dialectical paradigms of processes of strategy. Longitudinal secondary data was also collected to record the dominant strategic processes at play in the organisations.

The correlation among paradigms, organisation level transformation and renewal, manifested strategy process, structuring, leadership and culture and functional systems were framed and statistically investigated through survey research.

A questionnaire was designed to bring out the performance of the organisation for strategic flexibility on the core processes of strategy. These were further divided into different practice paradigms of five processes of strategy. When assigned a different success metric, these practice paradigms occurred at different levels of strategic maturity. A common theme describes the net output of these practices at each level, which describes these levels. Thus, a model took form in terms of ascending competence and capabilities of the firm to manage change by integrating flexibility in the processes of strategy. The seven levels in ascending order of strategic flexibility maturity are "accidental", "organisational involvement", "operational rationalisation", "latent leverages", "rapid learning", "change readiness" and "strategic flexibility". The seven levels of strategic flexibility are discussed in terms of the five processes of strategy depicted as the Strategic Flexibility Maturity Model.

Though the study is not exhaustive, it limits itself to the processes of strategy and the flexibility variables discovered in the literature and case studies. It attempts a model to understand the flexibilities in different process of strategy by generalising the findings.

Conclusions are drawn with respect to the competencies and capabilities required at each level. It is hoped that the present study may be used as a stepping stone towards building a more robust model for strategic flexibility.

Abstract	i
Table of Contents	iii
List of Figures	ix
List of Tables	xiii

## Chapter 1

1.1	Introduction	1
1.2	Change is the Only Constant	1
1.3	Strategic Management of Change	2
1.4	Indian Perspective	3
	1.4.1 Shifting Society	3
	1.4.2 Individual in the Society	4
	1.4.3 Changing Consumer	5
	1.4.4 Political Transpositions	6
	1.4.5 Galloping Globalisation	7
	1.4.6 Turbulent Technology	9
	1.4.7 Evolving Economic Trends	11
	1.4.8 Evolving Corporate Governance	12
	1.4.9 Strategic Challenges	13
1.5	Managing Strategy is Managing Change	14
1.6	Research Query	15
	1.6.1 Strategy Drives Structure	15
	1.6.2 Key Processes of Strategy	16
	1.6.3 Strategic Processes Framework	17
1.7	Backdrop of Research	18
	1.7.1 Flexibilities in Strategic Decision-Making Processes	19
1.8	Research Assumption	20
1.9	Relevance of Research	20
1.10	Research Objectives and Propositions	22
1.11	Issues Covered	22
1.12	Scope of the Study and Boundaries	23
1.13	Methodology of the Study	23
1.14	Organisation of the Thesis	24
1.15	Concluding Remarks	27

## Chapter 2

2.1	Introduction	29
2.2	Competing Paradigms of Strategy	30
2.3	Critique of Existing Strategy Models	33
2.3.1	The Boston Matrix	33
2.3.2	Profit Impact of Market Strategy (PIMS)	33
2.3.3	Michael Porter's Five Forces and Three Generic Strategies	33
2.3.4	Core Competencies	34
2.3.5	An Approach on Strategy	34
2.3.6	The Paradoxical Dilemma	37
2.4	Dealing with Strategic Duality	40
2.4.1	Value Paradigm Approach for Strategic Duality	41
2.5	Processes of Strategy	43
2.5.1	Innovation	43
2.5.2	Learning	45
2.5.3	Structuring	47
2.5.4	Leadership and Culture	49
2.5.5	Transformation and Renewal	52
2.6	The Changing Bases for Competitiveness	54
2.6.1	Rationalisation	54
2.6.2	Achieving Change	55
2.6.3	Business Process Reengineering	55
2.6.4	Winning with Innovation	56
2.6.5	The Strategic Resources	57
2.6.6	Value Creating Culture	58
2.7	Research Propositions	59
2.7.1	Innovation	59
2.7.2	Learning	61
2.7.3	Structuring	63
2.7.4	Leadership and Culture	65
2.7.5	Transformation and Renewal	67
2.8	Concluding Remarks	69

## Chapter 3

3.1	Introduction	71
3.2	Design Issues For Strategic Research	71
3.3	Approach Towards a Strategic Model / Framework	73
3.3.1	The Flexible Systems Methodology	73
3.4	The New Approach	74
3.4.1	The Dialectical Dilemma	76
3.4.2	The Process of Eclectics	79
3.4.3	The Flexible Systems (Eclectic) Methodology	82
3.4.4	Proposing Eclectic FSM Framework for Strategy Evolution	82

3.5	Proposing FSM Approach for Process of Strategy	84
3.5.1	The Interajacent Model	85
3.6	Proposing a Model-Framework for Strategic Management of Change	86
3.7	Rationale for Processes of Strategy	88
3.8	Proposing a Research Flow for the Study	90
3.9	The Evolution of the Research Query	90
3.10	The Eclectic Research Approach	92
3.11	Concluding Remarks	93

#### Chapter 4

4.1	Introduction To The Chapter	95
4.2	Case I - Hindustan Computers Limited Ltd.	96
4.2.1	Introduction	96
4.2.2	Methodology	97
4.2.3	Rationale for the Case Study	98
4.2.4	Episode I	98
4.2.5	Episode II	108
4.2.6	Episode III	119
4.2.7	Conclusions	127
4.3	Case II - Wipro Ltd.	128
4.3.1	Introduction	128
4.3.2	Methodology	128
4.3.3	Rationale for the Case Study	129
4.3.4	Episode I	129
4.3.5	Episode II	140
4.3.6	Episode III	148
4.3.7	Conclusions	162
4.4	Synthesis and Concluding Remarks for the Chapter	163

#### Chapter 5

5.1	Introduction To The Chapter	165
5.2	Case I - Hindustan Levers Limited	166
5.2.1	Introduction	166
5.2.2	Rationale for the Case Study	167
5.2.3	Episode I	168
5.2.4	Episode II	181
5.2.5	Conclusions	193
5.3	Case II - Proctor and Gamble	195
5.3.1	Introduction	195
5.3.2	Rationale for the Case Study	196
5.3.3	Episode I	197
5.3.4	Episode II	205
5.3.5	Episode III	212
5.3.6	Conclusions	217
5.4	Synthesis and Concluding Remarks for the Chapter	217

## Chapter 6

6.1	Introduction To The Chapter	219
6.2	Case I - ICICI	221
6.2.1	Introduction	221
6.2.2	Methodology	222
6.2.3	Rationale for the Case Study	222
6.2.4	Episode I	223
6.2.5	Episode II	232
6.2.6	Episode III	242
6.2.7	Conclusions	250
6.3	Case II - HDFC	251
6.3.1	Introduction	251
6.3.2	Rationale for the Case Study	252
6.3.3	Episode I	252
6.3.4	Episode II	260
6.3.5	Episode III	269
6.3.6	Conclusions	274
6.4	Synthesis and Concluding Remarks for the Chapter	274

## Chapter 7

7.1	Introduction	277
7.2	Paradox - The Mother of Flexibility	278
7.3	The Eclectic Advantage	280
7.4	Processes of Strategy - Management of Paradox	282
7.4.1	Innovation	283
7.4.2	Learning	287
7.4.3	Structuring	291
7.4.4	Leadership and Culture	294
7.4.5	Transformation and Renewal	296
7.5	Summary of Synthesis	299
7.6	Types of Thinking	300
7.6.1	The Strategic Thinking Techniques	301
7.6.2	The Strategic Process Thinking Techniques	302
7.7	Concluding Remarks	303

## Chapter 8

8.1	Introduction	305
8.2	Development and Deployment of the Instrument	306
8.2.1	Choosing the Deployment Area	306
8.2.2	Development of Questionnaire	307
8.2.3	Validating the Questionnaire	308
8.3	Research Methodology for Empirical Analysis	310
8.3.1	Pretesting The Questionnaire	310
8.3.2	Questionnaire Format	310
8.3.3	Methodology Design	311
8.3.4	The "Total Rigidity - Ideal Flexibility" Scale	311
8.4	Data Processing and Preliminary Analysis	313
8.4.1	Strategic Significance of Process Issues of Innovation	316
8.4.2	Strategic Significance of Process Issues of Learning	318
8.4.3	Strategic Significance of Process Issues of Structuring	320
8.4.4	Strategic Significance of Process Issues of Leadership and O	323
8.4.5	Strategic Significance of Process Issues of Transformation ar	325
8.5	Synthesis of Findings for Preliminary Analysis	326
8.6	Empirical Validation of Paradigms	327
8.6.1	Process of Innovation	327
8.6.2	Process of Learning	332
8.6.3	Process of Structuring	337
8.6.4	Process of Leadership and Culture	342
8.6.5	Process of Transformation and Renewal	345
8.7	Concluding Remarks	350

## Chapter 9

9.1	Introduction	351
9.2	Hypotheses Testing	351
9.2.1	Innovation	351
9.2.2	Learning	358
9.2.3	Structuring	365
9.2.4	Leadership and Culture	369
9.2.5	Transformation and Renewal	373
9.3	Synthesis of Findings	378
9.4	Validating Conceptual Strategy Model For Competitive Success	378
9.4.1	Construct Validity of Success Factors	378
9.4.2	Validating Success Metrics	379
9.4.3	The Conceptual Model on Success Factors	383

9.5	The Paradigms of Processes of Strategy on the Success Metrics	384
9.5.1	"Profitability Improvement"	384
9.5.2	"Levers Of Competition"	388
9.5.3	"Creation And Correction"	393
9.5.4	"Fastest In The Market"	397
9.5.5	"First In The Market"	401
9.5.6	"Change By Chance"	405
9.5.7	"Options For Change"	409
9.6	Summary of Analysis	412
9.6.1	The Process of Innovation	412
9.6.2	The Process of Learning	413
9.6.3	The Process of Structuring	413
9.6.4	The Process of Leadership and Culture	414
9.6.5	The Process of Transformation and Renewal	414
9.7	Concluding Remarks	415

## Chapter 10

10.1	Introduction	417
10.2	Synthesis Framework	417
10.3	Description of the Model	418
10.3.1	Level 1: Accidental	418
10.3.2	Level 2: Organisational Involvement	419
10.3.3	Level 3: Operational Rationalisation	419
10.3.4	Level 4: Latent Leverages	420
10.3.5	Level 5: Rapid Learning	421
10.3.6	Level 6: Change Readiness	422
10.3.7	Level 7: Strategic Flexibility	424
10.4	Discussion on the Model	426
10.5	Major Findings and Recommendations	434
10.5.1	Opinions on Paradigm Shifts	434
10.5.2	The Dominance of Paradoxical Paradigms	434
10.5.3	The Model	435
10.5.4	The Concept of Strategic Flexibility Maturity Model	435
10.6	Significant Research Contributions	436
10.6.1	At Methodological Level	436
10.6.2	At Empirical Level	436
10.6.3	At Conceptual Level	437
10.7	Study is Relevant to Whom	437
10.8	Limitations of Present Research	438
10.9	Suggestions for Future Research	438
10.10	Concluding Remarks	439

<b>REFERENCES</b>	<b>443</b>
-------------------	------------