SAIL : The Corporate Strategy

*** M. Subramanian ** Vidya Suresh**

ABSTRACT

According to F.David, "Strategic or institutional management is the conduct of drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives'. Johnson and Scholes present a model in which strategic options are evaluated against three key success criteria namely suitability, feasibility, and acceptability. There is a growing consensus among corporate leaders that taking action on climate change is a responsible business decision. From market shifts to regulatory constraints, climate change poses real risks and opportunities that companies must begin planning for today, or risk losing ground to their more forward-thinking competitors. Prudent steps that are taken now to address climate change can improve a company's competitive position relative to its peers and earn it a seat at the table to influence climate policy. With more and more action at the state level and increasing scientific clarity, it is time for businesses to craft corporate strategies that address dynamic change. One of the chief reasons for the failure of missions and visions to achieve the desired objective is the naiveté (lack of experience / judgment) of most company managers and executives. The aim of the paper is not only to discuss why strategic plan fails but also to provide a solution to make strategy work for from time to time. The paper aims to build a new model SAIL to make the corporate strategies more effective.

* Faculty Member (Finance Area), Assistant Professor, Thiagarajar School of Management
Pamban Swamy Nagar, Thiruparankundram, Madurai - 625 005,
Email: subramanianm@tsm.ac.in Mobile: 9952118297

* Faculty Member (Economics Area), Assistant Professor, Thiagarajar School of Management,
Pamban Swamy Nagar, Thiruparankundram, Madurai - 625 005
Email: vidyasuresh@tsm.ac.in Mobile: 9750420360

Introduction

Corporate governance is a process by which companies are directed and controlled to enhance their wealth-creating capacity in a sustainable, transparent and legal manner. It involves a set of relationship between a company's main constituents viz., Shareholders, Board of Directors, Management and other stakeholders – customers, suppliers, creditors, employees, regulators, Government and society at large. It provides the structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined. Companies with good corporate governance have systems in place which allow sufficient freedom to the Boards and management to take professional decisions towards the progress of the companies and to innovate, while remaining within a framework of effective accountability. The core principles of corporate governance are corporate fairness, transparency, accountability, responsibility, compliance with legal & ethical standards, professionalism and value maximization for all the stakeholders.

Today every corporate in this universe faces stiff competition. Let the organization be a SME or MNC the competition level is same, but the degree and kind varies from one industry to the other or from one company to the other.

An organizational capability approach nurtures three of the most critical factors essential to achieve superior, sustainable results:

1. Strategic focus
2. Organizational alignment
3. Operating discipline.

Conversely, taking action to achieve strategic focus, organizational alignment, and operating discipline develops capability thinking."

"Vision without action is day dream; Action without vision is nightmare" – Japanese Proverb.

Why organisation fails in strategic planning?

- Failure to understand customers
- Inability to predict environmental reactions
- Overestimation of resource competence
- Failure to coordinate
- Failure to get senior management commitment
- Failure to obtain employee commitment... the list may continue...

The model of SAIL attempts to address the above issues.

Management's New Paradigm

There is NOT one right way to manage people. One does not "manage" people. The task is to lead people. And the goal is to make productive the specific strengths and knowledge of each individual."

Notable Sayings on Business

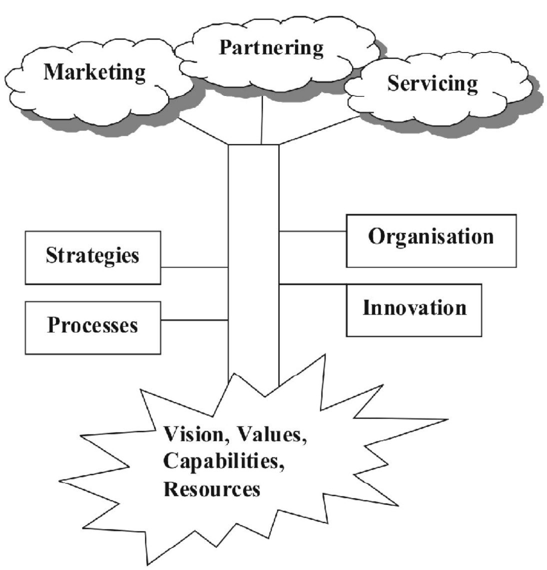
"Be everywhere, do everything and never fail to astonish the customer." **– Macy's motto**

"Vision without action is day dream; Action without vision is a nightmare" **– Japanese Proverb**

"Profits should be a reflection but not of a corporate greed but a vote of confidence from society that what is offered by the firm is valued" **– Konusuke Matsushita**

"For every thousand hacking at the leaves of evil, there is one striking at the root" **– Henry David Thoreau**

The following could be viewed as a typical BUSINESS TREE **for majority of the businesses:**



Corporate Governance: Review of Related Literature

As far as the general literature on corporate governance is concerned, several empirical studies on corporate governance have examined the role of ownership structure (Morck, et.al 1988 and McConnell and Servaes, 1990) and board structure (Baysinger and Butler 1985, Rechner and Dalton 1991; Bhagat and Black 2002) in monitoring management and improving the firm performance. Underlying assumption of these studies is that the effect of ownership and board structure on performance is determined by optimal ownership and board structure which is common to all firms, and that firms which diverge from the optimal level of these characteristics will experience lower performance.

SAIL – The Corporate Strategy Demystified

Today every corporate in this universe faces stiff competition. Let the organization be a SME or MNC the competition level is same, but the degree and kind varies from one industry to the other or from one company to the other.

How to survive in this competitive world? What kind of corporate strategies will work for us? To answer these questions, we have defined a new corporate strategy in the name of **SAIL**.

S – **S**timulate the 3S namely; right Strategies, Services and Synergy

A – **A**daptability to the dynamic business environment

I – **I**nnovation the key for success

L – Aim at **L**ongevity of your business

When you start framing sail based strategies for your business it will bring success to you.

S – Stimulate the 3S

- Stimulation is an approach which every organization should apply all time to get the maximum out of their strategies, services and synergy.
- As we are facing various alternates and propositions in real time business we have to stimulate the right strategies, quality services with a synergy of various avenues cooperation.
- Right strategies in the sense making strategies that work in boom and making strategies that work even in recession; that means making workable strategies like being cost effective without dilution of quality. E.g. Value Engineering and Value Analysis.

A – Adaptability to the dynamic Business environment

- Adaptability refers to that our plans should be flexible enough to adapt to the change that happen in the market place.
- One budget cannot solve all the existing problems.
- Similarly one strategic plan will or may not be an end or solution for all the existing issues.
- We have to make adaptable plans that suit our local and global business environment. That means being GLOCAL.

I – Innovate the key focus for success

- The key for success even in recession is Innovation.
- There is a general saying "Innovate or Evaporate".
- That saying seems to true in all sense.
- If you are not innovative and just being a good old nut, we may become a rust and useless.
- We have many living examples in this connection.

L - Longevity

- Longevity is one of the most required elements for any strategic approach.
- Even in financial accounting one of the fundamental accounting concepts is purely based on the business longevity.
- That concept is "going concern concept"
- That concept emphasis that "men may come and go... but the company go on for ever".
- This means it infers optimism in business.

Conclusion

Thus we can conclude from the study that effective governance is based on four key elements: personal behavior, trusted business relationships, decision-making processes and controls, and director "independence." The proposed values and professionalism that directors and managers bring to their positions are critical for effective governance because they establish the ethical model for the entire institution. Corporate governance flows out of a series of inter-related "trust" relationships that a director, chief executive officer and other managers have with others within the institution as well as with shareholders, customers and the communities that the institute serves.

There is a growing consensus among corporate leaders that taking action on climate change is a responsible business decision. From market shifts to regulatory constraints, climate change poses real risks and opportunities that companies must begin planning for today, or risk losing ground to their more forward-thinking competitors. Prudent steps are taken now to address climate change can improve a company's competitive position relative to its peers and earn it a seat at the table to influence climate policy. With more and more action at the state level and increasing scientific clarity, it is time for businesses to craft corporate strategies that address dynamic change. As somebody told "One of the chief reasons for the failure of missions and visions to achieve the desired objective is the naiveté (lack of experience / judgment) of most company managers and executives. Nothing happens by magic".

You can't manage what you don't understand.
You don't understand what you don't measure.
What gets measures gets done.
What gets measured gets rewarded.

References

- Bhattacharyya, A. K and Rao, S. V. (2004), Economic impact of regulation on corporate Governance: Evidence from India. Working Paper No. 486/2004, Indian Institute of Management, Kolkata.
- Cook, D. O., Hogan, A., and Kieschnick, R. (2004), A Study of Corporate Governance of Thrifts,. *Journal of Banking and Finance*, 28, 1247–1271.
- Dinc Serdar I (2005), Politician and Banks, Political Influences on Government-Owned Banks in Emerging Markets, *Journal of Financial Economics,* No. 77, pp. 453-479.
- Leeladhar V (2005), Taking Banking Services to the Common man Financial Inclusion, Lecture Delivered at Fedbank Hormis Memorial Foundation, December 2.
- Mallin Christine A (2007), Corporate Governance, *Oxford University Press,* Indian Edition, New Delhi.
- McConnell J Serveas H (1990), Additional Evidence on Equity Ownership and Corporate Value, *Journal of Financial Economics*, 27,595-612
- Morck, R., Shleifer, A., Vishny, R.W (1988), Management ownership and market valuation: An Empirical Analysis. *Journal of Financial Economics*, 20, 293–315.
- Rechner, P.L. and D.R. Dalton (1991), CEO Duality and Organizational Performance: A
- Longitudinal Analysis, *Strategic Management Journal*, 12, 2, 155–160.