

**Leadership for India INC: Practical Concepts and Constructs**  
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**Week – 01**  
**Introduction to Leadership**  
**Lecture - 04**  
**Management Thought - 2**

Hi Friends. Welcome to the NPTEL course on Leadership for India Inc. Practical Concepts and Constructs. We are in week 1 Introduction to Leadership. In this lecture we are covering the part 2 of Management Thought.

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**Management Thought Leaders: Laurence Peter**

Laurence Johnston Peter (September 16, 1919 – January 12, 1990) was a Canadian educator and "hierarchologist", best known to the general public for the formulation of the Peter Principle.

**"In a hierarchy every employee tends to rise to his level of incompetence." – The Peter Principle**

The diagram illustrates the Peter Principle as a staircase with five steps. Each step is labeled with a question: 'Competent? Promote to the higher level'. The final step is labeled 'Incompetent? Stuck at the final placement'. To the right of the diagram is a portrait of Laurence Peter. Below the diagram is the cover of the book 'THE PETER PRINCIPLE' by Laurence J. Peter.

Multiple insights, many of them irreverent and subtle but realistic, arise from Peter's research and book, providing organization designers and talent managers as well as managers and leaders to hold up a mirror to themselves.

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We will be discussing more thought leaders in management and leadership. Today, we will start with Laurence Peter, everyone who understands the lighter side of management with serious implications also knows about Laurence Peter. He postulated the Peter Principle. The Peter Principle said that in a hierarchy every employee tends to rise to his level of incompetence.

So, this is the 5 step process which he demonstrates, are you competent then you get promoted to the higher level. Considered competent promote to the higher level, again considered competent promote to the higher level; again considered competent promote to the next higher level. And finally, incompetent you get at the final placement settlement.

That is what the Peter Principle says, multiple insights are there in this book, and many of them may seem to be irreverent and with and laced with subtle humour, but they do are realistic. They arise from Peter's research and book providing organization designers and talent managers, as well as managers and leaders to hold up a mirror to themselves.

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**Management Thought Leaders: Philip Kotler**




**Philip Kotler** (born May 27, 1931) is an American marketing author, consultant, and professor; currently the S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management at Northwestern University. He is an authority of marketing, and has authored over 60 books on the subject.

**Philip Kotler's Contributions to Marketing**

- Transformed marketing from a tail-end peripheral function to a function as critical as production
- Shifted marketing focus from price and distribution to discovering customer needs and fulfilling them
- Broadened the concept of marketing from selling to a total Marketing Mix, which he defined for the first time
- Demonstrated how marketing can be made applicable to a host of non-commercial, non-corporate activities

Focussing on social marketing lately, Philip Kotler began applying marketing theory to influence behaviour change that would benefit consumers, their peers, and society as a whole. "Demarketing" is a concept proposed by him to reduce demand for a product when a product or service is in short supply, and when it is in social interest to reduce demand.

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Philip Kotler is an authority on marketing, his contributions to marketing have been seminal and his textbook on marketing continues to be the bible for marketing students. He has transformed marketing from a tail end, peripheral, product delivery function to a function which is as critical and as important as production. He shifted marketing's focus from price and distribution to discovering the latent consumer needs and fulfilling them.

He also broadened the concept of marketing, from selling to a total marketing mix which he defined for the first time. He also demonstrated how marketing can be made applicable to a host of non-commercial and non-corporate activities. His contributions to marketing constitute the very basic foundations of modern marketing management we all know.


Focusing on social marketing lately, he has also been applying marketing theory to influence behavioural change that would benefit consumers their peers and society as a whole. He also advocates 'demarketing' that is stoppage of excessive marketing and excessive selling, when a product or service is in short supply and when it is in social interest to reduce demand.

He does not believe that increasing the demand and increasing the sales, is the only way in which companies should prosper. He believes that deemphasizing marketing, when demand constraints needed to be put in place, it is well worth the contrarian effort, that is what Philips Kotler is for us.

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### Management Thought Leaders: C K Prahalad

**Coimbatore Krishnarao Prahalad** (8 August 1941 – 16 April 2010) was the Paul and Ruth McCracken Distinguished University Professor of Corporate Strategy at University of Michigan Stephen M. Ross School of Business.



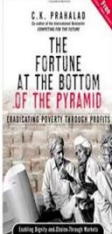

**Core competency** is defined as a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace, and therefore are the foundation of the firm's competitiveness



The book, *Fortune at the Bottom of the Pyramid*, presents new business models targeted at providing goods and services to the poorest people in the world. It makes a case for the fastest-growing new markets and entrepreneurial opportunities being found among the billions of poor people at the bottom of the (financial) pyramid. According to Bill Gates, it "offers an intriguing blueprint for how to fight poverty with profitability."

Provides potential access to a wide variety of markets

Should make a significant contribution to the perceived customer benefits of the end-product

Difficult to imitate by competitors

He was the co-author of acclaimed books, "Core Competence of the Corporation" and "Competing for the Future" (both with Gary Hamel) and "The Fortune at the Bottom of the Pyramid" (with Stuart L. Hart). The former became an important conceptual anchor for corporate strategy while the latter represented a much needed intersection of strategic marketing and social purpose.

Another important thought leader is C K Prahalad. Professor C K Prahalad is a very accomplished academician, he was the Paul and Ruth McCracken distinguished University Professor of Corporate Strategy, at University of Michigan, Stephen M Ross School of Business. He is credited with several pioneering concepts in the field of strategic management.

He defined concepts such as core competence, strategic intent, competing for the future and bottom of the pyramid. Of all these, core competency gave an entirely different dimensions to strategy. He defined core competency as a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace. And therefore, are the foundation of the firm's competitiveness.

For example, a company is able to develop its products extremely speedily. And it is able to develop those products in a manner that the customer needs are exactly fulfilled. It is able to reduce the time to market to the shortest possible time frame, without any dilution of quality.

And is able to reach the entire marketplace swiftly and proactively, that is a core competence. It is an alchemy of skills and core competency therefore, is not just one competency, that is

being good in finance or being good in operations. It is an alchemy of different competencies which a company possesses and is therefore, difficult to imitate for other competitors. He says core competency provides potential access to a wide variety of markets because, you are doing what the markets need in a much better way. It also would make a significant contribution to the perceived customer benefits of the end product. Customers start seeing the company's products and the company itself in a completely different and positive experiential light.

And as I said earlier, core competency is such an alchemy, that it is difficult to imitate by competitors. He was also the co-author of these acclaimed books which I have presented here with Gary Hamel. The former became an important conceptual anchor for corporate strategy that is the core competence of the organization. While competing for the future, it showed us the necessary intersection of strategic, marketing and social purpose.

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**Management Thought Leaders: Michael Porter**

Michael Eugene Porter (born May 23, 1947) is an American academic known for his theories on economics, business strategy, and social causes. He is the Bishop William Lawrence University Professor at Harvard Business School. He was also a founder of the consulting firm The Monitor Group (now part of Deloitte) and FSG, a social impact consultancy.

Michael Porter has emerged as the foremost authority in the field of strategy for his many strategy prescriptions including but not limited to Five Forces Model and Generic Competitive Strategies

Generic Competitive Strategies

- Cost Leadership
- Differentiation
- Niche

Porter stated in a 2010 interview: "What I've come to see as probably my greatest gift is the ability to take an extraordinarily complex, integrated, multidimensional problem and get arms around it conceptually in a way that helps, that informs and empowers practitioners to actually do things."

Then we go to Michael Porter, verily the domain of strategy got its due recognition and enormous fame, because of Michael Porter. Starting from the late 1970s, he began influencing the domain of strategy with his very unique conceptual and analytical frameworks. He published three books Competitive Strategy, then Competitive Advantage, and then the Competitive Advantage of Nations, which are illustrated through book covers here.

He emerged as the foremost authority in the field of strategy, for his many strategic prescriptions including, but not limited to five forces model and generate competitive

strategies. What you see here on the left side is the five forces model, wherein he says that every firm has to consider five forces which are very important.

The first is the threat of new entrants, that is, new competitors who could enter the industry. The bargaining power of suppliers, how strong the suppliers are in terms of their ability to influence, the mechanics with the end product user. And then the bargaining power of buyers, the power of customer groups.

For example, in the US pharmaceutical industry, the bargaining power of distributors like McKesson, Amgen, they are very strong distributors and wholesale buyers with strong power with hospitals and clinics. Then, we have threat of substitute products for example, iPad was substituted by iPhone, smaller iPhone's are substituted by larger iPhone's, so on. So, we have this kind of threat from substitute products always coming in based on technological developments.

Coupled with all of this would be rivalry among existing competitors. These are the five forces, which a firm need to reckon with while crafting the business strategy of the firm.

He also proposed three generic competitive strategies, which are very unique in terms of the conceptual attraction; but, also unique because they can be applied in different manners by different companies. These three generic competitive strategies are cost leadership, differentiation and niche.

In addition, he has also proposed several ways of looking at industry boundary. He also proposed the different ways of conducting structural analysis of industries. He has also talked about how different industries, whether they are mature industries or segmented industries or fragmented industries, or oligopoly industries; how do they function and what firms should take note of in such industries.

He has also proposed different kinds of models for nations, he proposed the diamond of national comparative advantage or the competitive advantage for nations, he proposed that. I am very happy to share with you that my research thesis was based on Professor Porter's theory of competitive strategy. And I gave shape to structural analysis of industries, and probably my thesis has been the first to propose a quantitative expression of Michael Porter's qualitative hypothesis.

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**Management Thought Leaders: Kenichi Ohmae**

Kenichi Ohmae (born February 21, 1943) is a Japanese organizational theorist, management consultant, Former Professor and Dean of UCLA Luskin School of Public Affairs, and author, known for developing the 3 C's Model.

Kenichi Ohmae's contribution has been in terms of opening up the Western minds to Japanese business practices. He has also been a proponent of globalization blurring the boundaries between nation-states.

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Another important thought leader is Kenichi Ohmae, he talked about The Mind of the Strategist. He said the strategist needs to be looking at 2 into 3 model. The first portion of the model is the corporation, the customer and the competition. The second part of the model is Hito, that is the people; Kane - money and Mono - things.

He said that if a strategist keeps these six factors in mind, he or she would be able to develop a good corporate strategy. He also advocated moving away from the short strategic planning horizon of the Western companies, which used to be 3 to 5 years at the time to, the long strategic planning horizon of Japanese companies.

Japanese companies typically look at a 10 year or even a 15 year planning horizon, even, if they are in the industries which are matured such as automobile industry. He has been similarly successful in opening up the western minds to the Japanese management philosophies. He was also a great proponent of globalization and blurring of boundaries between nation states.

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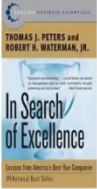


**Management Thought Leaders: Tom Peters**

Thomas J. Peters (born November 7, 1942) is an American writer on business management practices, best known for his book *In Search of Excellence* (co-authored with Robert H. Waterman Jr.).

**Eight Themes for Excellence**

A bias for action	Close to the customer	Autonomy and entrepreneurship
Productivity through people	Hands-on, value-driven	Stick to the knitting
Simple form, lean staff	Simultaneous loose-tight properties	

There is a view that the platform for Peters and Waterman onto which the *In Search of Excellence* research and theorising was built was based on the McKinsey 7-S model of structure, strategy, systems, style of management, skills, staff and shared strengths.



Tom Peters, not to be confused with the other Peter I mentioned. He is a noted American writer on business management practices. He came up with eight themes for excellence in his book *In Search of Excellence*. He said there should be a bias for action on the part of leaders. The leaders must be close to the customer, they should exhibit autonomy as well as entrepreneurship and let the organization also, experience and enjoy autonomy and entrepreneurship.

He said that productivity can be achieved only through people, he advocated a hands on value driven system of management. And he also in a way suggested the same thing as core competence, that is a firm should stick to the knitting that is do things what the firm is capable of doing the best.

He also suggested having a lean organization, simple form, lean staff. And he also said that organization should have the loose-tight properties. Management is like kite fly, you should let the kite go free to the skies, but at the same time, you cannot allow it to wander aimlessly. So, you need to also have a little control.

Organizational management and the quest for excellence, he also said in the same way, it should be through simultaneous loose tight properties. There is also a view that the platform, which he developed is somewhat similar to the McKinsey 7 S model which is structure, strategy, system, style of management skills, staff, and shared strengths.

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**Management Thought Leaders: Eliyahu Goldratt**

Eliyahu Moshe Goldratt (March 31, 1947 – June 11, 2011) was an Israeli business management guru. He was the originator of the Optimized Production Technique, the Theory of Constraints (TOC), the Thinking Processes, Drum-Buffer-Rope, Critical Chain Project Management (CCPM) and other TOC derived tools.

**The Theory of Constraints by Goldratt**

Throughput Accounting: Comprise 4 key metrics: Net Profit, Return on Investment, Productivity, Investment Turns  
Methodology: Increase throughput, Reduce investment, Reduce operating expenses

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Eliyahu Goldratt, he is another great operation's driven leader who is also a strategist in his own right. His theory of constraints has been path breaking, in developing excellence in operations. He also brought out other books such as critical chain, and he also brought out how a company should be moving towards one single goal to be able to come up with exemplary performance.

Some of his original methodologies or optimized production technique, the theory of constraints (TOC), the thinking processes, drum-buffer-rope methodology, critical chain project management and other TOC derived tools. He was so bold and so believing in his theories that he would promise or his consultancy organization would promise that the current revenue of the company would be the future profit.

You can imagine how much of operational excellence he is proposing to achieve through his models. So, he said that the theory of constraints has got the following conceptual framework to address. One, identify the constraint, improve the constraint, review all other activities to reduce the constraint to the minimum, elevate the performance of the constraint and then repeat the process.

It is like strengthening the weak links in a chain, not all links in a chain are going to have the same strength. So, you strengthen one particular link and then automatically another link becomes visible as slightly weaker link, then you strengthen. So, with that analogy you can also see that when you have several constraints in achieving your goals. As you resolve one



constraint, you will find that another thing is a serious constraint in the new paradigm then you try to address.

For example, you have development of a new product for a customer as your goal. So, you will identify the first constraint, and the most important constraint as the time taken to read the customer mind or the market need and develop a product. So, you go whole hog by getting better technologies, putting in more people in the research laboratories and you eliminate that constraint.

Then, you will discover that technology transfer is a constraint. Let us say you eliminate that constraint then, you will get into manufacturing and ability to develop vendors as a constraint. So, you can of course, go sequentially eliminating one constraint after the other.

But, the other elegant way is to look at all the constraints simultaneously, simulate how elimination of one constraint would impact the other constraints. And try to do a holistic development of what to change, what it should be changed to and what actions need to be taken for change.

He also came up some very good measurement metrics, for throughput accounting, four metrics of net profit, return on investment, productivity, and the turns the investment takes in terms of its revenues and profits. And the methodology across his consultancy horizon has been threefold: increase throughput, reduce investment and reducing operating expenses so, that the bottom line would be significantly enhanced.

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**Management Thought Leaders: Stephen Covey**

Stephen Richards Covey (October 24, 1932 – July 16, 2012) was an American educator, author, businessman, and keynote speaker. His most popular book is *The 7 Habits of Highly Effective People*.

**The 7 Habits of Highly Effective People**




- Be Proactive
- Begin with the end in the mind
- First things first
- Think win-win
- Seek first to understand, then to be understood
- Synergize
- Sharpen the Saw; Growth

**Matrix of Importance Vs. Urgency**

Urgent and important <b>DO</b>	Not urgent but important <b>PLAN</b>
Urgent but not important <b>DELEGATE</b>	Not urgent and not important <b>ELIMINATE</b>

The Four Quadrants

Stephen Covey's other books include *First Things First*, *Principle-Centered Leadership*, *The 7 Habits of Highly Effective Families*, *The 8<sup>th</sup> Habit*, and *The Leader In Me — How Schools and Parents Around the World Are Inspiring Greatness*.



Another important management thought leader is Stephen Covey. Many people who are in the habit of reading self-help books, would be familiar with this Professor. He says that there are 7 habits of highly effective people, one, one should be proactive that is anticipate what needs to be done and try to do that ahead of the event occurring.

Two, begin with the end in mind, do not look at your activities as what to do now, and what to do next. You have the goal in mind and then proceed with accomplishing the journey towards that goal. Prioritize what you want to do and what you need to do, first things first.

Then, think win-win, that is in if you are in a competitive situation, or if you are in a collaborative situation or in a network situation. Try to win along with your other partners, other collaborators. You cannot think of vanquishing the entire competition or in a collaborative network, you gain 70 percent and the collaborator the vendor for example, gains only 30 percent so, Think win-win.

Then seek first to understand, then to be understood. Understanding as well as getting understood is considered very important by him, it is like, same what I explained earlier articulation, that is communication of your message to the team members. But, also listening to the team members absorbing that, reflecting on that and introspecting on what you said itself that is another very important habit which he advocated.

Synergize, that is 2 plus 2 is more than 4 it is 5 or 6. So, you have to ensure that you are and you are CXO teams capabilities are much more than the sum total of your capabilities. Organization as a whole is much more synergistic than what it could be as a group of individuals. Then, Sharpen the Saw, aim for Growth. Sharpen the saw means be competitive, do the right things in a competent way.

He also suggested that everybody should look at what they need to do, in terms of a matrix of importance versus urgency. He proposed four quadrants, suppose something is very urgent and also very important; it is something which you must do at any cost.

Suppose it is urgent and not important, then, you should delegate that. Because it is urgent alright, but it is not so important and critical that you should give your personal attention, probably your deputy can achieve that much better or equally well. So, you delegate that task.

Suppose it is not urgent, but important then you plan. Because, there is time on your hand to be able to plan for it, consider all the alternatives, do the right decision making, and then put in a plan which is most appropriate. Suppose that it is neither urgent nor important, then why have such an activity in your to do list, eliminate. These four quadrants are extremely important, for people to prioritize their actions and also ensure that whatever people do deliver the maximum result.

His other books include, First things first, Principle centered leadership, The 7 Habits of Highly Effective Families, The 8th Habit, The Leader in Me. These books are very easy to read and people should take their time off from, whenever they time permits for them and go through such books.

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**Management Thought Leaders: Masaaki Imai**

Masaaki Imai (born, 1930) is a Japanese organizational theorist and management consultant, known for his work on quality management, specifically on Kaizen. He is also the author of important books on the subject.

**Masaaki Imai Popularized Kaizen Globally**

Masaaki Imai contributed immensely to the popularization of Kaizen and Gemba concepts. The focus on workplace improvement and involvement of people made his paradigm a highly inclusive and effective one.

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Masaaki Imai, he brought the function of quality through the operations prism. And he gave a different perspective on how operational problems must be solved. He is a Japanese organizational theorist and management consultant; he is known for his work on quality management specifically Kaizen. Kaizen means continuous improvement.

He proposed not merely continuous improvement sitting around the tables, he proposed continuous improvement by going to the shop floor, working where the problem actually exists that is called the Gemba. Gemba Kaizen is a concept popularized by him along with the first original concept of Kaizen.

So, he said that executives wanting to improve a situation, must recognize the problem at site Gemba. Make small aligned improvements, follow 5S that is workplace cleanliness and workplace lean practices, integrate whatever we are doing in terms of Kaizen with a total quality management system of the company. Make it an all people endeavour and make such improvement processes a continuous daily activity. So, there is no let up for improvement.

So, he contributed immensely to the concepts of Kaizen and Gemba, the focus on workplace being the place for ideation and execution is something, which is very remarkable. And he was able to make his processes inclusive by bringing in the people along with him. And therefore, achieve effectiveness and efficiency in whatever solutions he provided.

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**Management Thought Leaders: Michael Hammer**

Michael Martin Hammer (13 April 1948 – 3 Sept 2008) was an American engineer, management author, and a former professor of computer science at the Massachusetts Institute of Technology (MIT), known as one of the founders of the management theory of Business Process Reengineering (BPR).

The fundamental rethinking and radical redesign of business processes to achieve ...

Improvements in critical contemporary modern measures of performance, such as cost, quality, service, and speed

Elimination of activities that do not add value

Consequent right-sizing of organizations...

Criticized for not taking into account people aspects

Hammer brought in the process view of management which down-sized organizations; also criticized for bringing in managerial form of Taylorism which looked excessively at business process efficiency at the expense of people.

MICHAEL HAMMER and JAMES CHAMPY  
*Reengineering the Corporation*  
A Manifesto for Business Revolution  
Harvard Business Review

Michael Hammer, he is another thought leader, but from the western side, he believed in fundamental rethinking and radical redesign of business process. He said that business processes tend to be burdensome based on the legacies. Because over time, the product market scope is changing, the strategies have been changing the organization has been probably bloating or getting dysfunctional.

So, he proposed that every now and then you must rethink and radically redesign business processes so, that the entire business can be competitive. He proposed improvements in critical contemporary modern measures of performance such as cost, quality, service and speed. He proposed elimination of activities that do not add value. And he was a great proponent of right sizing of organizations, which could also mean downsizing of organizations in many aspects.

But, he was also criticized for having a very mechanistic and transactional approach of operational excellence. And he was also criticized that he was somewhat Taylor's scientific management advocate in a new avatar of modern business management. People said that he looked at business efficiency very much in an excessive manner without focusing on the people aspects of business management.

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**Management Thought Leaders: Gary Hamel**

Gary P. Hamel (born 1954) is an American management consultant. Hamel has been a Visiting Professor of International Business at the University of Michigan, at Harvard Business School, and at London Business School.

**Gary Hamel was a Great Proponent of Management Innovation**

He believed that conventional management was a drag

Perpetuated bureaucracy      Stifled innovation

↓

He advocated management innovation



Bettering today's best practices      Dreaming and doing innovatively

↓

Propounded several new management themes (with C K Prahalad)

Core Competence      Strategic Intent      Alliance Advantage

Hamel proposed that innovation in management – rather than in operations, products or strategies – is the most likely factor to create long term advantage. He wanted his followers to build innovative management models of their own.



We refer to Gary Hamel as the co-author with Professor C K Prahalad, he is an American Visiting Professor of International Business, at the University of Michigan, had been at Harvard Business School and London Business School. He was a great proponent of management innovation, the future of management written by him is one of his Hallmark books. He believed that conventional management was a drag.

He felt that the existing systems of management always perpetuated bureaucracy, stifled innovation. So, he said that the problems of companies are not because of the way the operations are conducted. But, it is because of the way management has been lacking in innovation. So, he advocated management innovation, he said that the managements primary goal is to improve today's best practices and continuously dream and do things innovatively.

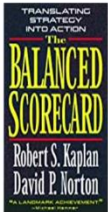


He propounded several management themes as I said earlier along with Professor C K Prahalad, core competence, strategic intent, alliance advantage. His contribution is holding a mirror to managements themselves. Saying that please do not think that it is the employees who are not working well. Probably you are not working well, you need to be more innovative, and you need to be more creative so that the organizations can be led on a path of innovative management models of their own.

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**Management Thought Leaders: Robert Kaplan**

Robert Samuel Kaplan (born 1940) is an American accounting academic, and Emeritus Professor of Leadership Development at the Harvard Business School, known as co-creator, with David P. Norton, of the Balanced Scorecard.

Proposed Balanced Scorecard to Align Individual and Corporate performance



Kaplan and Steven Anderson co-developed time-driven activity-based costing, or TDABC, a methodology for companies to fully understand costs and to assist them to get on a simpler and more powerful path to increased profits.



Then, Robert Kaplan, he is another great contributor to management thought. Most people would have heard about the Balanced Scorecard, that is we should not measure the performance of an individual or a company, only by financial metrics, nor should it be measured only by internal business performance.

You should also look at other aspects which are commonly ignored in performance appraisals. So, he said that goals and measures should be fourfold. One quadrant of measures relates the financial measures, the other is internal business. The third is customer focused goals and measures. And fourthly, which is often ignored by many human relations and human resource experts' innovation and learning.

He said that the company and the individuals must have a balanced scorecard each aligned with the other so that all the four aspects of self-development as also development of the business, get due weightage that is why the concept of the Balanced Scorecard came up. And it is considered a very popular and equitable way of measuring performance on multiple dimensions.

He along with Steven Anderson co developed time driven activity based costing (ABC). And a methodology for companies to fully understand costs and to assist them to get on to a more simpler and more powerful path to increased profits.

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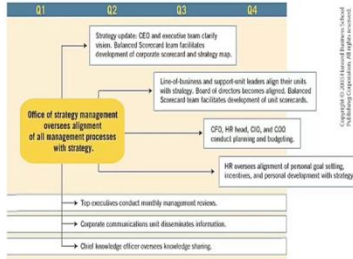
**Management Thought Leaders: David Norton**

David P. Norton (born 1941) is an American business theorist, business executive and management consultant, known as co-creator, together with Robert S. Kaplan, of the Balanced Scorecard.

**Proposed Office of Strategy Management**


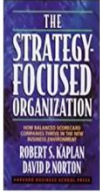


**The New Strategy Calendar**

At scorecard-driven companies, the strategic processes are carried out or supervised by the office of strategy management in coordination with the appropriate management teams or executives. This ensures that the strategy is fully reflected in all strategy-related activities at all levels of the company.



Reproduced from: The Office of Strategy Management by Robert S Kaplan and David P Norton, Harvard Business Review, October 2005

An office of strategy management that is positioned at the level of other senior corporate staff offices and has responsibility for managing and coordinating all the key strategy management processes can help companies realize the benefits from this body of knowledge, he held.



David Norton, who is an American business theorist and management consultant, who worked extensively with Robert Kaplan on the Balanced Scorecard; he proposed the model of Strategy Focused Organization, he said that strategy cannot be left to a few individuals to be creative about.

And he also said that it should not be seen as the singular responsibility of only the CEO or the CXOs. He said that every company should have an office of strategy management. So, that the strategy planning, strategy development and strategic management processes are institutionalized in the company.

He said that the office of strategy management should have the same weightage, as other CXO positions such as head of operations, head of marketing and various other important functional deliverables. David Norton thus brought organizational and institutional support for strategy.



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**Management Thought Leaders: Pankaj Ghemawat**


Pankaj Ghemawat (born September 30, 1959) is an Indian-American economist, professor, global strategist, speaker and author known for his work in the study of globalization, among others.

**Known for the Creation of the CAGE Distance Framework**

	<b>Cultural Distance</b>	<b>Administrative Distance</b>	<b>Geographic Distance</b>	<b>Economic Distance</b>	
<b>Country Pairs</b>	Languages, Ethnicities, Religions, Lack of Trust, Values etc.,	Ties, Trading Blocs, Currencies, Hostilities	Distances, Borders, Time Zones, Climates	Rich/Poor, Resources	
<b>Countries</b>	Insularity, Traditionalism	Economy, Trading Blocs, Institutions,	Position, Site, Transportation, Communication	Economic size, Per capita Income	

Adaptation + Aggregation + Arbitrage = Global Value Creation

Pankaj Ghemawat considers that globalization is much more than an economic hypothesis, and recommends indexing potential of globalization based on CAGE framework, and CAGE Comparator. He also proposed ADDING construct (Adding volume, Decreasing costs, Differentiating or increasing willingness to pay, Normalizing risks and Generating knowledge and other resources).



Next we talk about Pankaj Ghemawat. Pankaj Ghemawat is a strategist who focused on and continues to focus on Global Strategy. Initially he worked with Professor Michael Porter in the area of competitive strategy, but over time, he started developing his own constructs primarily based on globalization. He said that companies erroneously think that proximity to a particular nation, determines the competitive advantage in global strategy.

Instead he said that countries and firms are distanced by certain factors, he proposed a four factor cage distance framework; the cultural distance, the administrative distance, the geographic distance and the economic distance. He said that if companies are evaluated as per these criteria, you can have country pairs where there is kind of collaborative linkage on these four dimensions so, that the global strategy can be fine-tuned.

He also suggested adaptation, aggregation and arbitrage, as a three-point framework to create global value for companies.

He also came up with what we have as an ADDING framework, he said that adding volume to your business, decreasing costs, differentiating or increasing willingness to pay on the part of the customer, normalizing risk and generating knowledge and other resources, ADDING which is the acronym of these factors will help a company achieve greater value in terms of global strategy.





So, we have the CAGE framework, we have the CAGE comparator, we have the triple A proposition and also the ADDING construct coming from Pankaj Ghemawat. He represents the modern Global Strategy framework being hypothesized and proposed for companies to look at.


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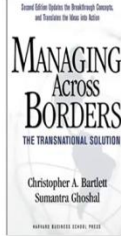
**Management Thought Leaders: Sumantra Ghoshal**

Sumantra Ghoshal (26 September 1948 – 3 March 2004) was an Indian scholar and educator who served as Professor of Strategic and International Management at the London Business School, and was the founding Dean of the Indian School of Business in Hyderabad.


**Famous for Models of Globalization**


	Multinational Enterprise	Global Enterprise	International Enterprise
	Responsiveness	Efficiency	Transfer of learning
	Loose federation of enterprises	Tightly centralized enterprise	Centralized-Decentralized
	Unilever, ITT	Exxon, Toyota	IBM, Ericsson





Due to a fast-changing environment, Bartlett and Ghoshal saw a further need for adaptation with a drive toward the shaping of a company that masters not one, but all three types of strategic enterprise capabilities. They called the ideal-type as the *transnational enterprise*.





Sumantra Ghoshal, who worked in London Business School and also was the founding dean of the Indian school of business in Hyderabad, he was also a globalization expert. He was famous for several models of globalization. He said that different types of companies have got different competencies, different structures and different samples which are required.

So, he said that a multinational enterprise will need to have the strategic competency of responsiveness; whereas, a global enterprise needs to be efficient and an international enterprise needs to understand the transfer of learning.

He said that multinational enterprise tends to be a loose federation of enterprises, whereas, a global enterprise that means, one firm kind of concept which is a tightly centralized enterprise, whereas an international enterprise which works with different manufacturing and marketing centres across the world seems to be a centralized-decentralized operation.

He gives samples of that as Unilever, ITT, in the multinational enterprise category. Exxon, Toyota as global enterprise category and IBM and Ericsson as international enterprise. So, which means that there are highly standardized global enterprises and highly adaptive global

enterprises and in between these two you will have global enterprises, which have added value and ensured sustainability.

He also saw a further need for adaptation with a drive towards the shaping of a company that masters not merely one, but all the three types of strategic enterprise capabilities. As we can also appreciate, it is very difficult to characterize Unilever exclusively only by these aspects which are outlined here.


It is also centralized and decentralized, it has been able to transfer learning from the Indian system on to itself. So, it is also an international enterprise as delineated by Professor Sumantra Ghoshal. So, we must be conscious that a company can have all the six shades of strategic competency and structures that Sumantra Ghoshal has proposed.

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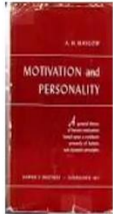

**Management Thought Leaders: Abraham Maslow**

Abraham Harold Maslow (April 1, 1908 – June 8, 1970) was an American psychologist who was best known for creating Maslow's hierarchy of needs, a theory of psychological health predicated on fulfilling innate human needs in priority, culminating in self-actualization. Maslow was a psychology professor at Columbia University, among others.

**Maslow's Hierarchy of Needs**



The diagram shows a green pyramid with five levels, each in a white box with a green border. From top to bottom, the levels are: Self-actualization, Esteem, Love/Belonging, Safety, and Physiological.



In order for motivation to arise at the next stage, each stage must be satisfied within the individuals themselves. Maslow's theory is a main base in knowing how effort and motivation are correlated when discussing human behaviour and organizational performance.

This is very important theory in organizational behaviour and human relations. Abraham Maslow has dramatically altered the way we look at individual's needs. He proposed a hierarchy of needs; he said that every individual fundamentally requires satisfaction of physiological needs. That is, his need for food, his need for day to day living must be satisfied. His biological and physiological needs, must be satisfied fundamentally.

Then, he needs to have security that is the safety of a home, belief that he would be able to pull on in this competitive life the safety of life. Then, the third need, elevated need, is love and

belonging that is he should be felt required by the organisation. And similarly a member of the family also should feel, that he is loved he has the belongingness all around him.

According to him the fourth level of need, which is more elevated than the other three needs which we considered is the esteem need. People should recognise and if every person feels the need for esteem. And the final the most evolved need is the need for self-actualisation, everybody would like to feel that he has achieved what all he could achieve in life.

This need for self-actualization is what I proposed in the first lecture, when I talked about the whole perspective of this course. That is a very evolved need and as I said the need for self-actualization takes us back, to the need hierarchy once again once we are completely fulfilled.

In order for motivation to arise at the next stage, he proposed that each stage must be satisfied within the individuals themselves. Maslow's theory undoubtedly is the main base in knowing, how effort and motivation are interlinked and correlated with each other. And it also tells us how we can align human behaviour and organizational performance, his book on motivation and personality is a landmark thesis in this area.

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**Management Thought Leaders: Taiichi Ohno**

Taiichi Ohno (February 29, 1912 – May 28, 1990) was a Japanese industrial engineer and businessman. He is considered to be the father of the Toyota Production System, which inspired Lean Manufacturing in the U.S. He wrote several books about the system.

**Toyota Production System by Taiichi Ohno**

The slide features a central diagram of the 7 Wastes: Defectives, Over-production, Waiting, Muri, Muda, Mura, and Eliminate. Below this, a circular diagram shows the 7 Wastes (Inventory, Over-Processing, Transportation, Movement, Defectives, Over-production, Waiting) and the 3 Principles (Kanban, Kaizen, Jidoka). To the right is a photo of Taiichi Ohno and two book covers: 'Just-In-Time' and 'Taiichi Ohno'. A small video inset shows a man speaking.

Toyota Production System, originally called "just-in-time production", builds on the approach created by the founder of Toyota, Sakichi Toyoda, his son Kiichiro Toyoda, and the engineer Taiichi Ohno along with Eiji Toyoda.

We talk about Taiichi Ohno next, he is great production engineer of Toyota. And the Toyota production system was invented by Taiichi Ohno, along with various founders of Toyota as well as Shingo, whom we have discussed earlier. He said that there are seven wastes which every company undergoes.

Overproduction, idle time or waiting time, transportation that too unnecessary transportation, over processing, inventory, movement and defectives; he said that if we eliminate these 7 wastes, operations will be lean and at the same time have high level of quality. He said company should eliminate, Muri, Mura and Muda.

He also proposed a three pronged attack on inefficiency, and three pronged quest for efficiency and effectiveness through Kanban, which is just in time system, Kaizen and Jidoka. He has authored several books just in time for today and tomorrow and Taiichi Ohno's Toyota production system, these are Landmark books. It was originally called Just-In-Time production, but it has been now understood as Toyota production system all across the industry.

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**Management Thought Leaders: Richard Rumelt**

Richard Post Rumelt (born November 10, 1942) is the Harry and Elsa Kunin Emeritus Professor of Business & Society at the University of California, Los Angeles Anderson School of Management. He is a noted exponent of strategy.

Known for Work on Performance Implications of Diversification

**Rumelt's Key Contributions to the Study of Business and Corporate Strategy**

Market Share, Concentration and Profitability	Diversification, Structure and Economic Performance	Criteria of Good Strategy and Bad Strategy	Whether Industry Matters in Performance
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RICHARD P. RUMELT  
**Strategy, Structure, and Economic Performance**  
Harvard Business School Classics

Rumelt argued that strategic planning should be separated from annual resource budgets. He said, "the need for strategy work is episodic, not necessarily annual." He recommended "non-annual, opportunity-driven process for strategy work".

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Richard Rumelt is a strategic leader, he worked on performance implications of diversification. He came up with a great thesis, strategy, structure and economic performance. He said that market share concentration and profitability are very important components of business and corporate strategy. And he is said that there are limits to market share, there are limits to concentration. And there are also limits to profitability, if you are stuck in a single industry.

So, he examined the necessity of diversification, having matching structure for diversification and the resultant economic performance. He also laid down criteria for good strategy, as well as bad strategy. He also examined whether an industry, in which a company is operating matters in performance. He argued that strategic planning should be separated from annual resource

budgets. He said the need for strategy work is episodic and not necessarily annual. We recognize that today.

Let us say a company had an annual planning exercise, which started let us say in January and ended in February. Do you think, that in today's situation that cycle of doing it again in January, February next year is valid, no, we have seen such discontinuity through COVID, that we cannot afford to have annual replication, or annual extrapolation, or interpolation of the strategic planning framework.

Maybe we need to redefine everything on a zero base. And that is where at the episodic nature of strategic planning comes in. And every time you have a new opportunity and it gets dovetailed into your strategy, you need to re-strategise the whole thing. For example, you have decided on a strategy of organic growth, and you have been implementing several, expansion and diversification plans based on the organic growth.

But, let us say suddenly a great new business came your way for acquisition and you bought that and folded it in. Then, the entire strategy for the company gets revised. And if you do not revise the entire strategy you will be sub-optimizing the newly acquired division, as well as the existing legacy company.

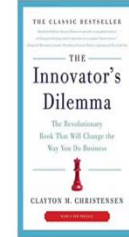

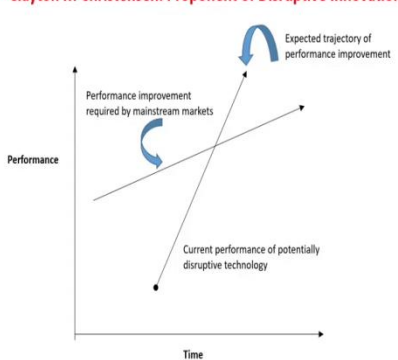
So, episodic nature of strategic planning is something, which Richard Rumelt contributed along with his emphasis on diversification and economic performance backed by organizational structures.

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**Management Thought Leaders: Clayton M Christensen**

Clayton Magleby Christensen (April 6, 1952 – January 23, 2020) was an American academic and business consultant who developed the theory of "disruptive innovation", first introduced in his 1997 book "The Innovator's Dilemma".

**Clayton M Christensen: Proponent of Disruptive Innovation**



According to Christensen, disruptive innovations originate in low-end or new-market footholds, and disruptive innovations don't catch on with mainstream customers until quality catches up to their standards. "Every company that has tried to manage mainstream and disruptive businesses within a single organization failed." - "Disruptive Technologies: Catching the Wave" by Joseph L Bower and Clayton M Christensen, Harvard Business Review, 1995.



As we discussed earlier, technology is an extremely important aspect of leadership, I said that leaders must understand, whether they are technologist or not, the importance of deploying technology in a meaningful manner.

Clayton M Christensen, he is a Professor of US, who came up with the coinage disruptive innovation. He first introduced that in his 1997, landmark book the Innovators Dilemma. He said that every industry and every platform of technology will undergo disruptive innovation at one point or the other.

And the time horizon for disruptions to occur is described on the x-axis, and the performance of the technology is described in the y-axis. And as you can see there is one arrow, which is the performance improved required by the mainstream markets. And typically when you have a new technology it tends to have performance.

So, he postulated that when a new technology particularly a disruptive technology gets introduced, its performance need not necessarily be the same as the mainstream technology's performance.

But, he said that over a period of time, it catches up with the mainstream performance and then becomes the occupant of the entire technology space and the market space. He extensively worked on the examples of flash memory or flash disk in the computer hardware. And he

demonstrated how the new entrants of technology come in with some promising parameters, but not necessarily parameters better than the mainstream.

But, eventually occupy the whole space, but if you look at today, they do not necessarily enter with the lower level of performance. If you see disruptive elements like OLED screens or high calibre sensors; it is not that they are coming only on the low end of the market, they come even at the high end and occupy the mainstream rather quickly, that is the processes of disruption have accelerated and they have become more comprehensive.

He also said that in case disruptive innovation is so, different from the mainstream innovation, which the company has been having. If you try to manage both disruptive innovation and mainstream innovation simultaneously and together in the same organizational structure, it could be counterproductive.



He said that disruptive innovation must be incubated and encouraged so, that it could bloom on its own and if necessary eventually occupy the entire market space that is Clayton Christensen for us.

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**Management Thought Leaders: Frederick Herzberg**

Frederick Irving Herzberg (April 18, 1923 – January 19, 2000) was an American psychologist who became one of the most influential names in business management. He is most famous for introducing job enrichment and the Motivation-Hygiene theory. He worked as Professor of management at the University of Utah and Case Western Reserve University.

**Herzberg's Two Factor Motivation-Hygiene Theory**

<b>Hygiene Factors – Do not motivate but absence demotivates</b>	<b>Motivation Factors – do not necessarily lower motivation but can increase motivation</b>	
<b>Extrinsic Factors to the Job</b> Pay      Job security	<b>Intrinsic Factors to the Job</b> Achievement      Recognition	
<b>Job Context Factors</b> Working Conditions      Satisfaction Granted by Other People	<b>The Work Itself</b> Responsibility      Advancement	
Extrinsic factors contribute less to motivation; absence leads to dissatisfaction	Intrinsic factors contribute to the level of job satisfaction and act as motivators	

Herzberg's theory is closely allied to Abraham Maslow's need hierarchy. The correspondence of the basic needs to hygiene factors and the higher needs to motivation factors is obvious but directs managerial attention appropriately.



Frederick Herzberg, he came up with the two factor Motivation Hygiene theory and his is a slightly different take from Abraham Maslow's. He said that amongst all the needs a job has and all the motivation factors that one has there are certain factors, which are truly hygiene factors and there are certain factors which are truly motivation factors.



He defined hygiene factors as those factors which do not motivate, but absence of this hygiene factors demotivate. For example, you are asked to work in an office which has no lighting, which has no ambience at all. Then it is a hygiene factor which is irritating to you, you cannot be operating at high level of motivation and productivity.

Motivation factors are those, they do not lower the motivation, but actually can increase the motivation. The contrary to what I said a very well equipped office, a very well salubriously developed designed office bins. They could be motivators for individuals that is why in modern offices put coffee areas, eating areas, in such a manner that people feel at home.

While in today's COVID situation, we may think that offices are of a distant past, very soon they would also come back into our mainstream. Thanks to the vaccines that we are we are likely to get and thanks to the developments in handling of the COVID pandemic, as we go forward. Anyway, coming back to our situation, hygiene factors are those factors which are extrinsic to the job that is pay, job security. If you do not get good pay, you are demotivated. If you do not have job security, you are demotivated.

Job context factors that is the type of job you are doing, the working conditions. And the recognitions and satisfactions provided by other people, these factors if they are not there you feel demotivated. On the other hand, the intrinsic factors to the job that is the achievement motivation that is there in the job, if you are given a job to develop a project within tight timeline. And a project which will lead to the huge top line and bottom line impact, there is an achievement factor which is intrinsic in that job.

So, that itself will be a great motivator and the recognition that accrues, thereafter is another intrinsic motivator; the work itself, the responsibility how you are seen as the leader, when you are a member of the cross functional team. And if you are assigned the responsibility of being a leader that is a responsibility given to you, that is the motivation for you.

And similarly the advancement that doing a particular job provides that is people think that, if you are in the IT department you are likely to have fast track. If you are in operational excellence you may have fast track. In some companies, if you are having the P&L responsibility at a young age, that could lead to advancement. So, the nature of work you have that itself could motivate you. These intrinsic factors contribute to the level of job satisfaction and act as motivators.

So, Frederick Herzberg says that getting job satisfaction is fundamental to displaying motivation, it is not the other way around. His theory is closely aligned to Abraham Maslow's need hierarchy, you can see the correspondence between the basic needs and hygiene factors and the higher needs to the motivation factors.

But, the important difference between the two theories is that Frederick Herzberg, explicitly directed management attention to what demotivates and what motivates. How job and workplace should be designed for ensuring that troubling factors are not there, how intrinsic job factors should be designed so, that employees are motivated naturally.

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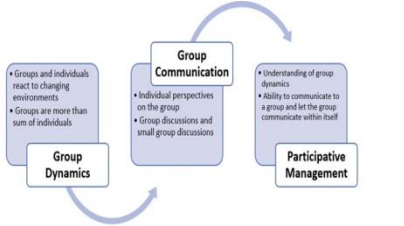

**Management Thought Leaders: Kurt Lewin**

Kurt Lewin (9 September 1890 – 12 February 1947) was a German-American psychologist, known as one of the modern pioneers of social, organizational, and applied psychology in the United States.



**Proponent of Leadership Climates and Group Dynamics**

**Lewin's Leadership Climate Types**

Authoritarian or Autocratic	Democratic or Participative	Laissez-faire or Delegative
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Understanding "Group" as a unified system and subject to social psychology of small groups was a notable addition by Lewin to management theory. The similarity of leadership styles as propounded by Kurt Lewin and Douglas McGregor is also noteworthy.



Kurt Lewin, he talked about leadership climates and group dynamics. Group dynamics is an extremely important topic in organizational behavior. He said that there are three types of leadership climate which you can encounter in organizations. One is authoritarian or autocratic, democratic or participative, or Laissez faire or delegative.

These are three important leadership climates and we can always feel that several departments in the companies we work with, display one or the other of these three leadership climates. He also says that there are always group dynamics that are existing in organizations. Groups and individuals react to changing environments in different way; and groups that way are more than some of individuals.

Individuals may have a point of view, when people get together they may have their points of view and even try to arrive at a consensus. But, as a well set group the dynamics are completely different. Therefore, group communication flag is a very important aspect of managing group dynamics for organizational advantage.

He advocated getting individual perspectives on to the group perspective, encouraging group discussions and small group discussions. And finally, he said that having participative management or democratic management is the only way, in which you can understand group dynamics openly and transparently.

And also have the ability to communicate to a group and let the group communicate with you. So, understanding the group what we call as the group, it is not just a department, nor is it a bunch of people, it is a unified system, which is subject to the social psychology of individuals who are participants of the group.

So, small group dynamics is an extremely important dynamic which he has added to management theory. You can also see that the theories of management, which he proposed are somewhat similar to the human set of enterprise theories, theory X and theory Y, which Professor Douglas McGregor proposed.


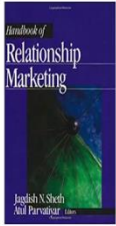


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**Management Thought Leaders: Jagdish Sheth**

Jagdish N. Sheth (born 1938) is the Charles H. Kellstadt Professor of Marketing at the Goizueta Business School of Emory University. He was a prominent support to the Indian Institute of Management Calcutta, the first Indian Institute of Management, in its initial years. He is considered an authority on several aspects of marketing.

**A Proponent of Relationship Marketing**

While the framework of relationship marketing has been his unique contribution, he remains to date a developer of contemporaneous thoughts in marketing strategy and execution.



We also have a marketing expert of the contemporary era of course, he is a Stalwart and a Guru for several decades. He is a proponent of relationship marketing, professor Jagdish Sheth. He

said that when you look at marketing, you have at one end mutual independence that is customer is not dependent on you, you are not dependent on customer.

On the other hand, there is independence, but also there is choice. Looking at the horizontal axis, you have competition and conflict, because customer has certain power over you, you have certain power over the customer. And competitors also have got certain power over the entire system, apart from having situations of conflict.

He is also envisages a situation where everything is in a collaborative state. So, he said that if companies operate in a situation, where there is mutual independence between the company and its customers. And between the company and the various Stakeholders, we have what we call relationship marketing. If on the other hand, if it is you take it or leave it kind of approach, that is totally independence and choice. And reacting and responding to the competition then it is transactional marketing.

So, he said that wise marketers move from transactional marketing to relationship marketing. In fact, he is said that company should position themselves or work diligently and sincerely as relationship marketing companies, rather than transactional marketing companies. He has developed several contemporaneous thoughts in marketing strategy and execution.

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**Management Thought Leaders: W. Chan Kim and Renee Mauborgne**

W. Chan Kim (born 1951) is a South Korean business theorist. **Renee Mauborgne** (born 1963) is an American economist and business theorist. Both are serving as Professors of Strategy and Management at INSEAD. Both have co-authored the 2005 book *Blue Ocean Strategy*. Both are co-directors of the INSEAD Blue Ocean Strategy Institute, France.

**Theorists of Blue Ocean Strategy**

Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities with its strategic choice in pursuit of differentiation and low cost

Blue Ocean Strategy argues that cutthroat competition results in only a red ocean of rivals fighting over a shrinking profit pool. It presents a systematic approach to making the competition irrelevant and outlines principles and tools for firms to create and capture their own blue oceans.

Many of you would have heard the Blue Ocean Strategy. Professor Chan Kim and Renee Mauborgne; they are responsible for this particular concept, there are the theories of Blue

Ocean Strategy. What they propose is that to understand competition, it is not looking at the competitors and trying to vanquish them. Their essential proposition is that cutthroat competition results only in a red ocean of rivals fighting over a shrinking profit pool.

Instead they say that companies should create their own market space, their own blue ocean wherein they can have revenues and profits. And in the process, also make the competition irrelevant. In their book, Blue Ocean Shift as well as the Blue Ocean Strategy which is the fundamental book; they create several tools which could be useful for the companies to pursue a Blue Ocean Strategy.

And what are the differences of these two strategies? Red Ocean Strategy believes in competing in existing market space, which is known to people and in which people are comfortable to operate on routine basis. In Blue Ocean Strategy you create new uncontested market space; that means, you need to be innovative actually. Blue Ocean Strategy is nothing, but being innovative in discovering new product niches.

Red Ocean Strategy says you go forward and beat the competition, whereas, the Blue Ocean Strategy says you should make the competition irrelevant, why? Because you are able to create something which the competition does not offer. Red Ocean Strategy says you expand the cake if possible, but exploit the existing demand in any case. Whereas, Blue Ocean Strategy says create and capture new demand.

Red Ocean Strategy talks about making a trade-off between the value the product gives versus the cost. Many times highly priced products justify themselves by saying that I offer greater life time value. And therefore, they said that there is a trade-off between the high cost which you pay now, and the high value you derive over the life.

But, the Blue Ocean Strategy says that you do not bother about this value-cost trade-off you just create value, because you are developing something fundamentally uncontested.

So, as a result Red Ocean Strategy alliance the whole system of a firm's activities, with its strategic choice of differentiation or low cost. Whereas, the blue ocean strategy says aligns the whole system, with its strategic choice in pursuit of differentiation and low cost. So, it is not either or between differentiation and low cost, but it is both with differentiation and low cost. We may say that it is a kind of related take on Michael Porters strategic prescriptions.

But, the main difference is that strategy as proposed by Porter focuses on competitive advantage, overcoming competitors, whereas, strategy as advanced by the Blue Ocean Strategy talks about creating your own bubbles of free contest where competitors just do not exist, so, it is an innovation driven strategy.

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**Management Thought Leaders: Nitin Nohria**

Nitin Nohria (born February 9, 1962) is an Indian-American academic. He serves as the tenth and the current dean of Harvard Business School. He is also the George F. Baker Professor of Administration at Harvard.

**Nitin Nohria on MNC Networks**

A Differentiated MNC Network comprises distributed resources linked through different types of relations

Local linkages within each national subsidiary	Linkages among headquarters and the subsidiaries	Linkages among subsidiaries themselves
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Nitin Nohria joins a few other management thinkers in propounding that the barriers to innovation in a firm do not relate to technology or budgets but rather to leadership and organization itself.

NPTEL

The Differentiated Network: Organizing Multinational Corporations for Value Creation

Nitin Nohria

Another thought leader is Nitin Nohria, he said that MNC networks are differentiated. Because, they are multinationals they need to work on different types of relations. You cannot run a multinational company, as a company which is already in a particular jurisdiction. Because, there are different local linkages which multinational companies, need to have in different nationalities through their national subsidiaries.

At the same time, all these subsidiaries need to be connected to the global headquarters, and also each subsidiary must connect itself with the other subsidiaries. So, how do we achieve this differentiated network, how do we make this multinational network which operates in multiple cultures, multiple regulatory, requirements and multiple customer needs work together as one form.

He along with other management thinkers proposes, that innovation in a firm is not related only to technology or budgets. But, innovation is related to leadership and organization itself, we talked about this concept even earlier.

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**Management Thought Leaders: Vijay Govindarajan**





Vijay Govindarajan (born 18 November 1949) is the Coxie Distinguished Professor (a Dartmouth-wide chair) at Dartmouth College's Tuck School of Business and Marvin Bower Fellow, 2015–16 at Harvard Business School. He is considered an influential thinker on the role of innovation in the fields of management and strategy.

**Founder of Three Box Solution and Reverse Innovation**

**The Three Box Solution for Innovation and Execution**

<b>THE PRESENT</b> Strengthen the Core	<b>THE PAST</b> Let go of the practices that fuel the core business but fail the new one	<b>THE FUTURE</b> Invent a new business model
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The "three box" framework makes leadership of innovation easier because it gives leaders a simple vocabulary and set of tools for managing and measuring the different sets of behaviours and activities, across all levels of the organization.



Vijay Govindarajan is another contemporary thought leader, he was the founder of Three Box Solution and Reverse Innovation. He said that to be able to perform in a competitive manner, you should strengthen the core that is the present, you should also forget the legacy to the extent that is irrelevant. So, let go of practices that fuel the core business, but fail the new one.

That is, you do not throw the baby with the bathwater, you retain those processes which are important for your current and the future. But, let go of the practices which are negative and which would be burdensome for the new future. And in the future you try to invent through a new business model. So, the Three Box Solution for Innovation and Execution is propounded by Professor Vijay Govindarajan.


It makes leadership of innovation easier, because it gives leaders a very simple vocabulary and a set of tools for managing and measuring different sets of behaviors, and activities across all levels of the organization. This is the book he has written.

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**Management Thought Leaders: John Kotter**


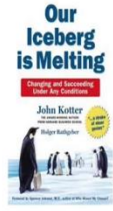


John Paul Kotter is the Konosuke Matsushita Professor of Leadership, Emeritus, at the Harvard Business School. He is a thought leader in business, leadership, and change. He conveys profound thoughts through simple concepts.

**John Kotter's Eight Steps for Leading Change**



<b>Create Climate for Change</b>	<ul style="list-style-type: none"><li>• Create urgency</li><li>• Create coalition</li><li>• Create vision for change</li></ul>
<b>Engage and Enable the Whole Organization</b>	<ul style="list-style-type: none"><li>• Communicate the vision</li><li>• Empower action</li><li>• Generate short-term wins</li></ul>
<b>Implement and Sustain Change</b>	<ul style="list-style-type: none"><li>• Sustain the change</li><li>• Institutionalize change</li></ul>

In the book *Our Iceberg is Melting* Kotter expands the same 8 steps through an allegory about penguins. In the book, a group of penguins whose iceberg is melting must change in order to survive while their iceberg home melts.



We also have John Kotter, who is a great management thought leader. He talked about leading change, he talked about iceberg is melting. I would recommend these books as very simple, fable based books that drive home very important messages. He had eight steps for leading change in organizations. He basically says that changing an organization, changing a leader's mind set is the most difficult choice, most difficult challenge which an Apex Leader faces.

Similarly, changing the mindset of managers and the executives, is the challenge which a leader faces. So, he outlines eight simple steps for leading change. Fundamentally, you should create climate in your organization for change. There should be urgency about the need for the change. Then, you create a broad coalition of departments or people who are going to drive this change owning the need for the change. And change does not occur without a vision. So, you create a vision for the change.

The second part is engage and enable the whole organization change cannot be done only by a few people. Many times in quality constraint organizations, people say that quality improvement is done by this crack team, but that does not happen in that way. Quality has to be owned by each and every individual in the organization to be able to make the necessary change.

Therefore, you must have change management and as an organizational phenomenon, not the ownership of a few people, not the strategy department certainly. So, you should communicate the vision, you should empower action, and you should generate short term wins, when people



see that changing the organizational style. And the process provides certain win some benefits people would see the need and then going for the big change.

And third layer implemented sustain the change. You should be able to sustain the change you have started the demonstrating in the organization, then you embed the change parameters within the organization. During this process you will find that there are many group dynamics, small group dynamics, individual dynamics, mindsets, Maslow's need theory, Herbert's need theory and so many other factors which we have discussed.

And he simply, elegantly demonstrates, this through an allegory about penguins. A group of penguins which face a crisis, because the melting of the iceberg they change their pattern. How do they change to survive? While the iceberg home melts, is the thesis of this book, and how some people lead the change, and how some people try to thwart the change in the penguin family, is an allegory to individuals managing the organization. These are must read books.

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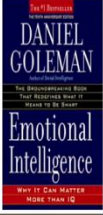

**Management Thought Leaders: Daniel Goleman**

Daniel Goleman (born March 7, 1946) is an author and science journalist. For twelve years, he wrote for The New York Times, reporting on the brain and behavioural sciences. His 1995 book "Emotional Intelligence" became a best seller.

**Goleman's Emotional Intelligence Framework**

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graph TD; A[Knowing one's emotions] --> B[Managing emotions]; B --> C[Motivating oneself]; C --> D[Recognizing emotions in others]; D --> E[Handling relationships]; E --> A;
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Daniel Goleman considers emotional intelligence to be more important than intelligence quotient. He recommends individuals to work on the five factors of the emotional framework, granting that not all will be perfect on all the five.



We also have Daniel Goleman, who talked about Emotional Intelligence, many a times leadership is equated with the intelligence quotients which people have. And the more superhuman leadership is considered to be, the more emphasis we tend to place on intelligence. That is why people also believe that if somebody graduates from an Ivy League Institution. He is likely to be a better leader.

We will consider in further course modules, whether this is true or not true or whether it is agnostic to these precepts. That apart, Goleman has demonstrated that it is not merely the intellectual intelligence, but the emotional intelligence that determines the leadership effectiveness. He brought in this concept for the first time.

And he said that people should know one's emotions, people should know how to manage their emotions, how to motivate oneself. Similarly recognize the emotions others have and handle those relationships. The ability to do all these things is called emotional intelligence. And he feels that emotional intelligence in managerial and leadership positions is more important than intelligence quotient.




He says that leaders must work on these five factors, granting also that not everyone will be 10 over 10 and all these five factors. Some will be good in the managing emotions, while some will be very good in reflecting and introspecting on one's own emotions. So, this is a very useful theory of Emotional intelligence.

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**Management Thought Leaders: Don Tapscott**

Don Tapscott CM (born June 1, 1947) is a Canadian business executive, author, consultant and speaker, who specializes in business strategy, organizational transformation and the role of technology in business and society.

**Some Concepts of Don Tapscott**

<b>Mass collaborations and Collective intelligence</b>	
Crowdsourcing of ideas      Social brainstorming	
↓	
<b>Influencers rather than managers</b>	
Facilitation of constructive debates      New skills for guidance and influencing	
↓	
<b>Collective intelligence technologies</b>	
Sharing of data and science      Blockchain and other technologies	

"Throughout the 20<sup>th</sup> century, we created wealth through vertically integrated corporations. Now, we create wealth through networks. We are at a turning point in human history, where the industrial age has finally run out of gas." - D. T.



We have Don Tapscott, who has several concepts which are related to modern digital collaboration. He has written a pioneering book on Blockchain Revolution, how the technology behind Blockchain is changing not only money, it is also changing business in the world. He talks about mass collaborations and collective intelligence, which is possible today with digital technologies crowdsourcing of ideas social brainstorming.

He talks about managers being more influences than controllers. So, facilitation of constructive debates, new skills for guidance and influencing; he also talked about technologies which bring forward collective intelligence amongst people. So, how do we share data and science without limitations, without seeing knowledge as power and keeping it in small confined domains. And that is why he sees Blockchain and other related technologies as capable of unleashing the power of data, knowledge and protected processes.

So, he says the throughout the 20th century, we created wealth through vertically integrated corporation. Now, we will create wealth through networks, we are at a turning point in human history he says, where the industrial age has finally, run out of gas and a new digital age has to evolve itself.

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**Management Thought Leaders: Rita McGrath**

Rita Gunther McGrath (born July 28, 1959) is an American strategic management scholar and professor of management at the Columbia Business School. She is known for her work on strategy, innovation, and entrepreneurship.



The diagram illustrates the 'Discovery-led Planning' process as a circular flow of five steps: 'Define Success' (top), 'Do Benchmarking' (right), 'Define Operational Requirements' (bottom), 'Document Assumptions' (left), and 'Plan to Key Checkpoints' (top-left). A central blue box labeled 'DISCOVERY-DRIVEN GROWTH' is surrounded by these steps. To the right of the diagram is a book cover titled 'THE END OF COMPETITIVE ADVANTAGE' by Rita Gunther McGrath, featuring a large black arrow pointing right.

After the original idea was published, in 1995, it was picked up by Steve Blank, and then by Eric Ries, and became the foundation of the lean startup movement. "It's really core to how we think about innovation today," says McGrath.



Another important thought leader is Rita McGrath. She talks about the antithesis of what Michael Porter has been saying. She says the competitive advantage as proposed in the 70s and 80s has probably seen the end of an era, we need to redefine; so, that we have growth which is base not merely on being more competitive vis-a-vis another person, but more competitive, because our growth is driven by discovery.

So, we should define what success means to our company, do benchmarking, define the operational requirements, document the assumptions and plan to key checkpoints. So, she says that if you combine strategy with innovation and entrepreneurship. You will have more

sustainable competitive strength, than looking at having more competitive power over the competitors.

And this was an original idea which was published, which was also picked up by Steve Blank and then by Eric Ries. It became the foundation also of the lean startup movement. It is really core to how we think about innovation today, she says.

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**Management Thought Leaders: Cynthia A Montgomery**

Cynthia A. Montgomery is an American economist and academic, teaching strategy the Timken Professor of Business Administration at Harvard Business School. She belonged initially to the Michael Porter's school of strategy.

**Cynthia Montgomery, Link between Strategy and Leader**

- Defining what the organization will be and what it means
- Securing for the firm a difference that matters in industry
- Understanding where strategy ends and execution begins
- Achieving and maintaining strategic momentum

It is the leader—the strategist—who must make the vital choices that determine a company's very identity. It is the leader who bears responsibility for the choices that are made, and indeed for the fact that choices are made at all.

NPTEL

THE STRATEGIST  
BE THE LEADER  
YOUR BUSINESS NEEDS  
CYNTHIA A. MONTGOMERY

Cynthia A Montgomery, again belonging to Michael Porters school of strategy, she sees the link between strategy and leadership. She wrote a book on Strategy called the Strategist, be the Leader your Business Needs. She is therefore, setting the contextual nature of leadership, which we discussed in on earlier session.

So, she says there are four factors to establish the link between strategy and leader. Fundamentally we should define what the organization will be and what it means to stakeholders. Secondly, you should secure for the firm, a difference that matters in industry, not a difference that matters to your competition, or a difference that matters to you in terms of revenue and profit.

How would you change the fundamental characteristics of the industry? So, you should look at that differentiation and you should also understand, where strategy ends and execution begins. That you cannot wait till the entire strategy is wrapped up in a nice strategic plan. And then, say that here is the plan, executives please start implementing, it is not that way. It is a

kind of overlapping process and you should know where strategy ends and when execution begins.

And you should also ensure in this whole process of strategic planning and execution, that the strategic momentum is achieved and maintained. And she says that the leader has to don the role of the strategist and make these vital choices, which determine and sustain a company's very identity. She says that it is the leader who has to bear the responsibility for the choices that are made and indeed for the fact that choices are made at all.

We will discuss in one of the later courses, how, many times even accomplished strategist fail to make strategic choices. They do not make even operational choices, they seem to be blinded, they seem to be frozen in their tracks. So, that is the truth of modern corporation as well. So, she is very right when she says that it is the leader, who has to bear the responsibility for the choices that are made, and also indeed for the fact that choices are made at all, that is very important.

With this we come to the end of part 2 of Management Thought. We will have one more session, part 3 of management thought, with that we will wrap up the first week's session on introduction to leadership.

Thank you one and all.