

# Importance of Strategic Management in Organizations of a Liberalized Country: The Case of Nepal

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## Abstract

Since the early 1990s, Nepal's transition from a state-controlled to a liberalized economy has intensified competition, drawn foreign investment, and exposed organizations to global standards and rapid change, rendering strategic management essential for survival and growth. This paper conceptualizes the value of strategic management in Nepal's liberalized context, integrating theories such as Porter's competitive strategy, the resource-based view, and dynamic capabilities with Nepal-specific economic data. Employing a qualitative, descriptive-analytical design, the study draws on secondary sources including books, journals, government reports, and company documents and illustrates applications through cases from Nepal's banking (Nabil Bank), manufacturing (Chaudhary Group), and telecommunications (Ncell) sectors. Findings reveal that strategic management enables Nepalese firms to anticipate policy shifts, navigate competition and regulatory risks, develop unique capabilities, and achieve sustained performance via deliberate and emergent strategies. Implications for managers, policymakers, and educators are discussed, alongside avenues for empirical research.

*Keywords:* strategic management, liberalization, Nepal, competitive advantage, dynamic capabilities, case studies

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## Introduction

Over the past few decades, Nepal has pursued gradual economic liberalization, marked by the restoration of multi-party democracy in 1990 and market-oriented reforms in the early 1990s. These reforms reduced trade barriers, promoted private sector involvement, attracted foreign direct investment, and deregulated key sectors such as banking, telecommunications, aviation, and hydropower (Mishra et al., 2021; Mishra & Kandel, 2023). Nepal's accession to the World Trade Organization in 2004 accelerated integration into global trade, exposing domestic firms to intensified international competition.

This liberalization has profoundly reshaped the organizational landscape. Previously insulated firms now face rivalry from local and foreign entities, heightened consumer expectations from global exposure, and rapid technological shifts, particularly in ICT and digitalization (Gautam & Mishra, 2024; Kushwaha et al., 2025). Compounding these pressures are political instability, policy volatility, infrastructure deficits,

and remittance dependency, all of which complicate strategic decision-making and profitability (Rahman & Mishra, 2026).

In this volatile environment, strategic management defined as the systematic analysis, formulation, implementation, and evaluation of strategies emerges as indispensable. Empirical evidence from Nepal's commercial banks underscores this: profitability hinges on adept responses to liberalization-induced competition, as seen in cases where working capital management and sector-specific factors directly influence financial outcomes (Mishra et al., 2021; Mishra & Kandel, 2023; Rahman & Mishra, 2026). Similarly, manufacturing firms demonstrate that effective capital policies mitigate risks and sustain performance amid environmental turbulence (Gautam & Mishra, 2024). Forward-looking approaches, such as synergistic bank-customer sustainability frameworks, further highlight strategic capabilities' role in long-term viability (Kushwaha et al., 2025). Organizations reliant on ad-hoc operations risk obsolescence, affirming strategic management's necessity for growth.

### Rational of the Study

Nepal's liberalization has created a competitive, uncertain environment, yet many organizations particularly SMEs and family businesses persist with informal, reactive strategies driven by owner intuition rather than systematic analysis (Mishra et al., 2021; Mishra & Kandel, 2023). This ad-hoc approach undermines profitability, as evidenced by commercial banks where short-term working capital decisions fail to counter liberalization pressures (Rahman & Mishra, 2026), and manufacturing firms where unstructured policies erode performance amid volatility (Gautam & Mishra, 2024). Even sustainability efforts reveal gaps, with banks and customers lacking integrated strategic frameworks for long-term viability (Kushwaha et al., 2025).

While Nepali discourse affirms strategy's importance, integrative scholarship remains scarce: it rarely bridges global theories (e.g., Porter's

frameworks, resource-based view) to local realities or uses concrete cases to link practices to outcomes. This study addresses these gaps by conceptualizing strategic management's role in liberalized Nepal. Offers actionable insights and local examples (e.g., banking, manufacturing) to shift from reactive to deliberate strategies, enhancing competitiveness and profitability. Bridges theories to Nepal's context, supplying teaching cases and a base for empirical studies on strategy-performance links. Illuminates strategy-policy interactions, advocating stable regulations to support organizational adaptation in a liberalized economy.

### Research Objective

This paper aims to review strategic management's theoretical foundations in liberalized emerging economies, analyze its critical role for Nepalese organizations amid liberalization, illustrate its impact on adaptation, competitiveness, and performance through selected local cases and derive managerial, policy, and research implications for Nepal.

### Literature Review

#### Concept of Strategy and Strategic Management

Strategy has evolved across definitions emphasizing direction, positioning, and adaptation. Chandler (1962) defined it as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals" (p. 13). Ansoff (1965) framed it as systematic environmental positioning and growth decisions, while Porter (1980, 1985) tied it to competitive advantage via cost leadership, differentiation, or focus, informed by industry "five forces."

Mintzberg (1994) critiqued rigid planning, distinguishing *intended* from *emergent* strategies that arise from behavioral patterns especially relevant in unstable settings like Nepal. Strategic management encompasses formulation, implementation, and evaluation through scanning,

analysis, choice, execution, and control (Grant, 2019; Johnson et al., 2020).

### Key Theoretical Perspectives

Multiple frameworks underscore strategy's importance in liberalized contexts:

- o **Industrial Organization (I/O) and Porter's View:** Firm performance stems from industry structure; liberalization intensifies rivalry and entry threats, demanding deliberate positioning (Porter, 1980).
- o **Resource-Based View (RBV):** Sustained advantage arises from VRIN resources (valuable, rare, inimitable, non-substitutable), with strategy focusing on their deployment (Barney, 1991; Barney & Hesterly, 2019).
- o **Dynamic Capabilities:** Firms must reconfigure resources amid change via sensing, seizing, and transforming (Teece et al., 1997) vital for Nepal's policy volatility.
- o **Balanced Scorecard:** Translates strategy into multi-perspective metrics for ongoing control (Kaplan & Norton, 1992).

These lenses collectively affirm that strategic laggards falter in open economies.

### Strategy in Liberalized and Emerging Economies

Liberalization reshapes strategy by introducing foreign rivals, eroding protections, shifting preferences, and enabling alliances (Hoskisson et al., 2000). Emerging market firms navigate institutional voids through networking, diversification, and local leverage, turning threats into opportunities.

### Strategic Management in Nepal

Nepal's post-1990s reforms via industrial, financial, and investment acts spurred private growth in banking, telecom, and conglomerates like Chaudhary Group (Government of Nepal, Ministry of Finance, 2023). Yet SMEs and family

firms often rely on intuitive, short-term decisions, blending strategy with operations amid cash-flow pressures and networks (Nepal Rastra Bank, 2022; World Bank, 2020).

Challenges like low productivity, innovation gaps, and shock vulnerability signal weak strategic practices. This review reveals a need to adapt global theories to Nepal, using local cases to demonstrate strategy's role in resilience and performance.

## Methodology

### Research Design

This conceptual paper employs a qualitative, descriptive-analytical design, integrating narrative literature synthesis with illustrative case studies. It prioritizes conceptual explication of strategic management's value in Nepal's liberalized context over hypothesis testing, aligning with exploratory studies in emerging economies (Yin, 2018).

This study adopts a qualitative, multiple-case study design grounded exclusively in secondary data, which were purposively sampled for relevance, credibility, and accessibility to examine strategic adaptation in Nepal's post-liberalization context. Data sources comprised peer-reviewed journals and seminal books on strategic management theories including Porter's competitive forces, the Resource-Based View, and dynamic capabilities alongside government publications such as the Economic Survey and Nepal Rastra Bank annual reports, organizational documents (annual reports and official websites of Nabil Bank Limited, Chaudhary Group, and Ncell Axiata Limited), and international development reports, notably the World Bank Nepal Development Updates. These materials were accessed through academic libraries, official portals, and databases such as Google Scholar, covering the period 1990–2025.

Three organizations— Nabil Bank Limited (banking), Chaudhary Group (manufacturing/diversified conglomerate), and Ncell Axiata Limited (telecommunications) were purposively selected to represent sectors profoundly transformed by economic liberalization, ensure the availability

of rich public data, and capture diverse strategic orientations ranging from deliberate to emergent strategies. Data analysis followed an iterative thematic analysis approach (Braun & Clarke, 2006), involving systematic coding to identify recurring themes (e.g., liberalization shocks, strategic responses, capability development, and performance outcomes), synthesis by mapping themes onto established theories (e.g., Porter's framework for positioning and RBV for resource deployment), and illustrative cross-case comparison to bridge theory and practice. Triangulation across multiple data sources enhanced analytical validity, while qualitative analysis software (e.g., NVivo) supported pattern detection and rigor, ultimately generating nuanced insights into the strategy–performance nexus in a liberalizing economy.

## Results and Discussion

### Nabil Bank Limited: Competing in a liberalized financial sector

The liberalization of Nepal's financial sector allowed private and jointventure banks to enter and compete alongside stateowned institutions. Nabil Bank, established as the first private sector commercial bank, faced a dual challenge: transforming traditional banking practices and competing with existing and new players.

From a strategic management perspective, Nabil Bank appears to have adopted a deliberate strategy focused on:

- o **Differentiation through service quality and innovation:** Offering more diverse products, introducing modern banking technologies (ATMs, internet and mobile banking), and emphasizing customer relationship management.
- o **Network expansion and market segmentation:** Expanding branch networks beyond Kathmandu Valley, targeting urban professionals, businesses, and highvalue customers.
- o **Capability building:** Investing in staff training, performance management

systems, and risk management frameworks consistent with global banking practices.

These strategic choices can be interpreted through the resourcebased view: by building intangible assets such as brand reputation, human capital, and organizational processes, Nabil Bank created VRIN resources that competitors found difficult to imitate (Barney, 1991). The bank's ability to continuously adopt new technologies and comply with evolving regulatory standards reflects dynamic capabilities (Teece et al., 1997).

At the same time, the bank's strategy reflects Porter's (1980) industry positioning perspective. As more banks entered the market, competition for deposits and loans intensified. Nabil's strategic focus on service differentiation and quality allowed it to defend its market share and maintain relatively strong financial performance in a crowded industry.

This case illustrates how strategic management conscious analysis of the external environment and internal capabilities, followed by deliberate positioning helped a Nepalese organization succeed in a liberalized sector.

### Chaudhary Group: Diversification and internationalization

Chaudhary Group (CG) is one of Nepal's most prominent business houses, with interests in fastmoving consumer goods (FMCG), hospitality, cement, financial services, education, and more. The group's growth over the past few decades can be seen as a series of strategic moves in response to liberalization and globalization.

Key strategic features includes:

- o **Product and market diversification:** CG is widely known for its *Wai Wai* instant noodles, but the group has expanded into beverages, cement, hotels, and other sectors, both in Nepal and abroad. Diversification spreads risk across sectors and allows the group to leverage common capabilities such as distribution networks and brand management.

- o **Brand building and local adaptation:** Through strong branding and marketing, CG has positioned its products as affordable yet aspirational, catering to the price-sensitive South Asian market while maintaining quality standards.
- o **International expansion and alliances:** CG has established manufacturing facilities and joint ventures in multiple countries, taking advantage of liberalized trade and investment regimes in the region. This outward-oriented strategy reduces dependence on the small domestic market and allows learning from international partners.

From a strategic management lens, CG's approach reflects both the resource-based view and the dynamic capabilities perspective. The group's brand equity, distribution systems, and managerial knowhow are key resources. Its ability to reconfigure these resources across sectors and countries shows dynamic capabilities in sensing and seizing opportunities.

At the same time, diversification in an environment characterized by policy uncertainty, infrastructural constraints, and political risk can be seen as a strategic hedge. By not relying on a single sector or country, CG mitigates environmental risk an important consideration in a liberalized but volatile economy like Nepal's.

However, diversification also carries the risk of spreading resources too thin and losing focus. Strategic management, in this case, involves ensuring that diversification decisions are guided by clear criteria (such as synergy and sustainable advantage) rather than being purely opportunistic.

#### **Ncell Axiata Limited: Competing under regulatory complexity**

The telecommunications sector in Nepal was opened up to private participation, allowing companies like Ncell to enter and compete with

the state-owned incumbent, Nepal Telecom. Ncell's entry and growth demonstrate how strategic management interacts with regulatory and political environments.

Strategic elements in Ncell's trajectory include:

- o **Market entry and positioning:** Ncell entered with competitive pricing, wide network expansion, and aggressive marketing campaigns, rapidly gaining market share in voice and data services.
- o **Technology and service innovation:** The company invested in network infrastructure and introduced value-added services, leveraging global telecom expertise from its international parent groups.
- o **Regulatory engagement and risk management:** Operating in a politically sensitive sector, Ncell has faced regulatory disputes, including tax and license issues. Strategic management in such a context involves legal strategy, stakeholder communication, and reputational management.

Ncell's case underscores that in liberalized sectors, strategy is not only about customers and competitors but also about managing relationships with regulators, governments, and communities. The dynamic capabilities framework is relevant here: the firm must continuously adapt to new regulations, policy shifts, and public expectations.

For domestic organizations in Nepal, the Ncell example highlights that strategic management encompasses not just market strategy but also nonmarket strategy dealing with laws, regulations, politics, and social license to operate.

#### **Crosscutting Themes and Discussion**

Across these cases, several crosscutting themes emerge regarding the importance of strategic management in liberalized Nepal:

- 30 **Environmental Scanning and Anticipation:** Liberalization has increased environmental complexity.

Organizations that systematically scan economic trends, policy announcements, technological developments, and competitive moves are better prepared to adapt their strategies. Nabil Bank's early adoption of digital banking and CG's international expansion reflect proactive scanning.

31. **Building and Leveraging Unique Capabilities:** In an open market, generic capabilities are not enough. Nabil Bank's service culture, CG's branding and distribution prowess, and Ncell's technological and managerial capabilities are examples of VRIN resources (Barney, 1991). Strategic management helps identify, strengthen, and deploy such capabilities.
32. **Managing risk and Uncertainty:** Political instability, frequent policy changes, and regulatory unpredictability are features of the Nepalese environment. Diversification (CG), strong risk management systems (Nabil), and regulatory engagement (Ncell) illustrate how strategy can be used as a tool to manage risk.
33. **Balancing Deliberate and Emergent Strategies:** While all three organizations have formal strategic plans, unexpected events such as political strikes, natural disasters, or sudden regulatory changes require flexibility. The ability to learn and adjust (Mintzberg, 1994) is as important as initial planning.
34. **Aligning Structure and Systems with Strategy:** Strategic management is not limited to formulating plans; it also involves aligning organizational structure, culture, and performance measurement with strategic goals (Grant, 2019; Kaplan & Norton, 1992). Banks need robust governance structures;

diversified groups need clear business unit accountability; telecom companies need agile structures to respond quickly to market and technology changes.

35. **Implications for Smaller Firms:** Although the case examples involve large organizations, the same principles apply to SMEs. Even simple tools such as basic environmental analysis (PESTEL, SWOT), clear mission and vision, and periodic strategic reviews can help smaller Nepalese firms navigate the liberalized economy.

These themes collectively support the argument that strategic management is a critical success factor for organizations in Nepal's liberalized and globalized environment.

## Conclusion

This paper has examined the importance of strategic management for organizations operating in a liberalized economy, with Nepal as the focal case. Drawing on key strategic management theories and Nepalspecific contextual information, the study has shown that:

- o Economic liberalization in Nepal has intensified competition, opened new opportunities, and increased environmental uncertainty.
- o Strategic management frameworks such as Porter's positioning view, the resourcebased view, and dynamic capabilities offer useful lenses for understanding how organizations can survive and prosper under these conditions.
- o Case illustrations from Nabil Bank, Chaudhary Group, and Ncell demonstrate that organizations which systematically analyze their environment, build unique capabilities, and adapt their strategies over time are better able to sustain performance in liberalized sectors.

## Implications

### *Managerial Implications*

For managers and owners in Nepal:

- o Treat strategic management as a continuous process, not a onetime exercise. Regularly review your environment, capabilities, and strategic options.
- o Invest in building distinctive capabilities such as quality, innovation, branding, networks, and human capital that competitors cannot easily copy.
- o Develop both market strategies (products, prices, positioning) and nonmarket strategies (regulatory engagement, corporate social responsibility, stakeholder management).
- o Encourage a culture of learning and flexibility so that emergent strategies based on new information can be incorporated into formal plans.

### *Policy and Educational Implications*

- o For policymakers, a stable and transparent regulatory environment is essential for organizations to plan strategically. Frequent, unpredictable policy shifts discourage longterm investment and strategic initiatives. Capacitybuilding programs in strategic management for SMEs and public enterprises could help improve national productivity.
- o For educators and researchers, there is a need for more empirical studies on strategic management practices in Nepalese organizations across sectors such as tourism, hydropower, manufacturing, microfinance, and education. Collaborative case study development between universities and local firms would enrich both teaching and practice.

## Directions for Further Research

Future research could:

- o Conduct surveys or interviews with managers to assess the prevalence and quality of strategic management practices in Nepal.
- o Use quantitative methods to examine the relationship between strategic management practices and firm performance indicators.
- o Explore how culture, family ownership, and informal networks influence strategy processes in Nepalese organizations.
- o Compare strategic management in Nepal with that in other South Asian or Himalayan countries to identify unique and shared challenges.

## Limitations

Reliance on secondary data limits depth (no primary insights like interviews). Cases are illustrative, not generalizable statistically. Rapid contextual changes (e.g., policy shifts) necessitate future primary/empirical updates.

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