

Strategic Management: A Few Indian Cases.

Introduction

A business be it a manufacturing or services has a purpose of existence to serve the customer and serve the society in fulfilling the needs of consumption. The consumption needs are perpetual and under going changes .The perpetuality of needs and their changing character with time requires the business to keep pace with time insuring its survival. The investment made and the returns to be given to investors makes the business to work for long life unlike the human life which perhaps goes on even if a human being decides to do nothing until the predetermined end is reached. The business has earned its life and therefore there is nothing like predetermined end nor the assurance of continuity if left to the forces of nature.

The earning of life makes the business to work towards the long term leading to the drawing of long term plans. The working towards the long-term through the planning is in essence mean dealing with future and attempting to control the uncertainty as when the future unfolds to have as far as possible no shocks and in the event of shocks its intensity does not impact the business to such an extent that the business is shaken beyond redemption/ retrievable position .

The process of dealing with future or foreseeing the future to navigate business smoothly through it, is the bane of contention in strategic management. The strategic management is therefore to work out long term plan looking into the environment and anticipating changes to deal with them in systematic manner.

The environment poses both challenges and threats. The challenges if handled well, help business to navigate smoothly and the failure in doing so pose the threat of (in extreme case) closure of business itself. This situation makes the business to look within and check what its positives are and what are the negatives that need the attention. The analysis of positives and negatives namely the strength the weakness help business to convert the challenges into opportunities so that the threats are reduced or wiped out. The two sides get separated into external environment and internal environment.

In the following cases an attempt is made to bring out the importance and approach in strategic management by Indian companies.

**The Automobile Industry:
A Case in External Environment**

The automobile industry particularly the car segment has flourished in India after 1991 on a massive scale. The Indian roads that saw nothing other than Ambassador and Fiat plying for years witness now 13 varieties. The carmakers have therefore to create a space of their own on the roads. The pursuit of carmakers in this direction makes them to look how competitive they can become and maintain and improve their road space.

The mention of USA and Detroit puts us before 3 strong companies namely Ford, General Motors and Daimler Chrysler in this sector.

The automobile sector is going through a bad patch in USA and many companies are on sale.

The reasons for the bad patch like rising fuel cost and making sports utility vehicles unaffordable, the high employee health care and health cost, huge discounts etc. are the not the focus in this case.

The Health care Cost In US Companies:

Company	Active employees Cost per car (in \$)	Retired employees Cost per car (in \$)	Total Cost per car (in \$)
General Motors	462	1038	1500
Ford	491	818	1309
Daimler Chrysler	522	522	1044

This presents an opportunity to Indian companies who are expanding their base by acquisition to keep pace with time.

The opportunities lie in,

- The companies are available at a very low value for sale; hence expansion through acquisition became easy route.
- Help create global presence.
- Help for access to technology.
- Help for global outsourcing component.
- Nearness to customer helps reduce the cost and quick reach.

· Lot of private equity companies like Carlyle CVC and Blackstone are active in India as such funds is no difficulty.

The road to global presence is through two models.

Model 1:-

Denso model, it is low risk, help for organic growth and requires lot of time practiced by Denso Company of Japan which took four decades to build a presence in North America worth \$3.5 billion.

The other model is Lear Corporation model where expansion is through acquisition and joint ventures. This company in 17 years built a presence worth \$17 billion business.

Indian business can now think of Lear Corporation model with the opportunity presented.

The India's automotive exports are expected to reach \$20 billion by 2015. For this to happen the Indian business have to think of that value chain position which gives the highest earning.

The value can be broadly classified as under,

	Retired employees	Active employees	Company
• Metals			
• Plastics			
• Electronics			

The metals and plastics where India has competence varying from good to reasonable will not serve the cause. Hence the electronic area becomes the target; The road to achieve that part of value chain makes acquisition a better business proposition.

The overseas acquisition of automotives Electronics Company will give enormous value to companies like Tata, TVS and Mahindra, who have opportunities in several segments of competent industry. 20 years from now the tier – 1 supplier may not be component manufactures it could be Software Company that write code to control the functions of components in car.

The external environment thus sets the tone for strategy formulation by presenting the opportunities and making the companies to evaluate their capabilities to use the opportunities

Tata consultancy services (TCS): A case of Achieving/Evaluating the Vision

TCS the flagship company in Tata group is a leader in the industry with highest on three counts compared with its peers.

Area	Amount (Rs. in crore) As of 31 st march 2005
Revenue	9824
Net profit	2052
Head count	457.15 (No's)

TCS vision is to be a \$10 billion company by 2010 popularly coined as V.2010 TCS wants to be in global top ten companies in terms of revenues, profitability, number of employees & reach to customer. The present revenue of TCS is \$2.24 billion at the financial year-end 2005

The Present Global Standing of Various Competing Companies by Revenues.

Rank	Company	Revenue (USD)
1	IBM Global Services	96.00
2	HP Services	80.00
3	Electronic Data System	20.60
4	Computer Services Corpn.	14.00
5	Accenture	13.60
6	Cap Gemini	8.40
7	Automatic Data processing	7.70
8	Atos Origin	7.10
9	Affiliated Computer Services	4.10
10	Bearing Point	3.30
11	Logica	3.10
12	CGI Group	2.57
13	TCS	2.24
14	Tietonator	2.00
15	Perot systems	1.70
16	Wipro	1.65
17	Infosys	1.63

Sources: Industry and analyst reports

The global top ten are averaging 8 to 10% per year growth. In order to catch up to the top ten, TCS needs to clock the growth of 40% year on year.

TCS plans to achieves V.2010 by:

1. Growth through Acquisition
2. Complete overhaul of Companies internal process business & jump in organic growth.

The 5-year plan drawn by TCS in pursuit of V.2010:

1. 5 year model/plan to look at big targets
2. 3 year model/plan to set strategic targets for each business divisions
3. 1-year model/plan to address immediate revenue and profit targets.

The V-2010 took shape in the year 2000. The mergers & acquisition team was created to work as think tank.

The following acquisitions have been made so far to close the gap in skills & bring in clients.

YEAR	CO ACQUIRED	BENEFITS GAINED
NOV/2001	CMC	Got foothold in Govt sector
May/2003	AFS	
Mar/2004	ASDC	
May/2004	Phoenix Global	
July/2005	InfoTech	Help build capabilities in system integration.
Oct/2005	FNS (Australia)	To augment banking product' quartz' & get client as SBI, FNS has a banking product.
Nov/2005	Comicrom(Chile)	To get foothold in Latin America in BPO business

Besides the acquisition TCS has drawn a 5 bubble strategy as under

GAME PLAN	TO ACHIEVE
Engineering services	\$200 million revenue by March 2006 by delivering services to industries like Aerospace, Automotive & utilities.
Infrastructure services	\$200 million by March 2006, Clients are General Electric & British Telecom.
Consulting	\$50 million revenue by March 2006, increase strength to 500 from present 200 people by March 2006.
BPO	To offer services in finance & accounting, customer care, payroll & procurement voice based services as a part of customer care.
Products	Low cost test markets for solutions, banking software product with \$100 million revenue has strong preserve in domestic market.

TCS has built the Strengths :

The strengths lie in Ability to execute large projects from multiple global locations using standardized process.

* Derisked business by spreading the revenues geographically with 60%USA, 11% domestic, sizeable contributions from European & Asia Specific business.

* Ability to win the confidence of customers with its workforce strength of about 50000 & revenues of USD 2.24 billion.

* Wide breadth of services starting from bottom of value chain like application development & maintenance project & going upto system integration, remote infrastructure management, consulting, BPO, & product development.

TCS is thus perfectly poised to achieve/ realise its vision.

BAJAJ AUTO LIMITED (BAL)

The mention of BAL presents the picture of scooter, long waiting period of past years, trouble free vehicle, cheap vehicle etc. The company had its strength in low cost and market leadership that went unchallenged till 1990s. The success met with failure as BAL failed to read the market and lost its rank to Hero-Honda and its products' dominance in scooters to motorcycles. The BAL has since recovered and fought back its position to 2nd rank

Vision of BAL

To grow five times by tapping global market., Tap 90% of the global market, which is 5 times in size of Indian market. Reduce Indian market to one of the businesses (and not the main business).

What forced BAL to rethink?

The market transition began in 1993-94. The Japanese competition had a well-planned approach as they came with their (Japanese) suppliers, experienced Engineers, proven products. This helped market shift its preference from scooter to motorcycle produced by Hero-Honda, TVS, and Yamaha. The warranty cost of BAL of Rs 800 per motorcycle was well high to Hero-Hondas Rs 150 per motorcycle; as such Bal lost its low cost advantage. Market perceived BAL as Scooter Company BAL lost its high-end scooter market to LML.

What the Environment BAL read : -

The global market for vehicle is 5 times of Indian market of 5-6 million vehicles. The vehicles in global market are like the BAL vehicles.

The Asian, China, Brazil markets where Honda and Yamaha sell their vehicles are virtually like the BAL vehicles hence those countries present a meaningful market.

The Game Plan of BAL-

The strategy. BAL decided to work its way up through

1. Knowledge leveraging

2. Capital Investment. Globally 10% of the vehicles sold are in the category of 250cc to 2000cc. BAL has vehicles upto 200cc and plans to move towards 2000cc range. This is what BAL calls as knowledge leveraging. The big pulsar is targeted towards 200cc and even up to 250cc.

Follow dual brand approach to enter European market by acquiring European brand for quick entry and introduce range of scooters cost wise and not by behavior or look wise.

Introduce 125cc bikes at a price of Rs 44000 to Rs 52000 to place below the highest priced Japanese vehicles at Rs 66000 & lowest priced Chinese vehicle at Rs35000. Introduce 150 cc bikes at Rs 66000 price range.

The Entry in Asian Countries:-

Kawasaki has presence in Asean countries by the way of manufacturing, dealer network, vendor base. BAL is planning to seek partnership with Kawasaki reaching the pulse of Kawasaki's loosing interest in Asean countries. Eventually buy out the Kawasaki in Asian countries to setup a permanent base.

Looking Beyond 2 Wheelers.

BAL has not stopped its thinking with 2wheelers/3wheelers. BAL is preparing to move into 4 wheelers sector with light, affordable transportation vehicles which. Could project a shape of city car.

The Assessment of Internal Environment

BAL was manufacturing focused company in 1980 to mid 1990 due to the huge order book position, no customer rejection thereby the focus on volume of out put. This led to the insufficient attention to the product development resulting into limited range of variants causing monotonous production giving rise to inflexible & rigid manufacturing

processes. As such the innovation & improvement was discouraged. The R&D was almost forgotten.

The impact of rigid & inflexible manufacturing system on human resources at BAL was visible in the rigid & inflexible mindset of the workers & people. This was a vicious circle of a sorts & a pronounced weakness.

How the Weakness was overcome

1. BAL started focusing on R&D, Pulsar was result of R&D. New plant was set at Chakan in 1990's with multi-skilled people. The work force of 800 represented the average age of 24. 3/4th of that work force consisted of engineers. The results of this showed a dramatic shift in vehicle per employee. At chakan 3 vehicles per employee against 0.8 per employee at Akurdi speaks volumes.
2. The in house manufactured parts was reduced. BAL makes 15% of cores parts in-house & rest are out sourced.
3. The vendor base was trimmed from 800 to 210 suppliers resulted into the advantages to BAL in terms of
 - a. committed suppliers.
 - b. single source supply.
 - c. reduction of development cost.

Out of 552 parts that make pulsar 521 (94%) are sourced from single sourced vendors.

For 120 vendors out of 210, 80% turnover is from supplies to BAL. BAL's 66% cumulative growth has resulted into 200% growth to vendors.

BAL entered into technology alliance with Paoli Mechanica of Italy to bring in quality enhance-ment & exposure to technology to its vendors .BAL has not lost sight of the risk of over depen-dence on single source of supply. It has picked up such vendors who have multilocation at Chakan & Waluj.

BHARAT FORGE LIMITED (BFL) :

A Case of Building Internal Strength

The Pune base company today ranks second largest company in the world.

The strategy of BFL has been focus on technology and building the strength in technology and through technology.

Mr. Baba Kalyani Chairman and Managing Director started the process of strength building from 1970s by foreseeing the need for technology. Each business process was studied to increase production. To assimilate technology the production was doubled each year from 1972 to 1975.

The technological sophistication was introduced in each product mix of crankshaft and steering knuckles. The foreign collaborates like Rockwell International and Bendix Corporation were brought in for axel and brake system to save time in developing technology from scratch. The expansion of marketing to sophisticated markets of Russia and Japan helped BFL to understand that only low cost was not enough but the technology and its superiority were equally important.

BFL invested Rs.150 crores in technology, which was as much as its revenue was when the investment made. To derisk the business BFL went on acquiring customers across the world and started serving them from as many locations. The company located its manufacturing facilities at 8 locations, out of which only 2 are in India. Half the production takes place outside India. The various locations assist BFL to participate with customers at product development stage. BFL went in for technology and manufacturing location driven acquisitions.

The BFL acquisition of 5 years

Years	Company Acquired	Investment (Rs. in Crores)	Advantages
2000	Kirstall Forge [UK]	20	10 key customers & Rs.62 crore exports.
2003	C.D.Peddinghaus	220	Entry into European passengers car market and specialization in car components
2004	CDP Aluminum Technik	36	Strength in production of lighter components which has growing global market
2005	Federal Forge	40	Manufacturing presence in North America
2005	Intra kirsta AB	41	Supply capabilities in core engine and chassis parts

The (internal) strength built over these years has kept BFL ahead of time. The present global automotive industry witnessing a change / shift owing to rising cost, excess cost, stiff competition the car makers are under pressure to cut cost. The pressure is passed on to the part makers / suppliers. The automakers are looking at the options of seeking chief manufacturing locations or close the business. The manufacturing units in Europe and to a large extent are on sale at bargain prices. The outsourcing market in next few years is about Rs.1,00,000 crores.

The strength build over the years has put BFL on strong platform to embrace this external environment when rest of the forging players in India put up a scattered base.

Forties:

A case of opportunity spotting:-

The health care through corporate hospital to the high end market has gained prominence of late. This sector has become a big business opportunity.

Forties a corporate hospital is headed by Shivinder Mohan Singh.

The opportunity Spotted:

Cordial Surgery account for 60% of all the surgeries done in India

How Forties went about its task of converting opportunity into reality.

Forties spotted this opportunity and built the hospital at Mohali in 2001.

Forties planned for a presence in Delhi and in that regard acquired 3 hospitals namely Jessaram, Cradle and Jeevanmala.

Consolidation at Northern Region:

The acquisition of escorts heart institute and research (EHIRC) was a real breakthrough in North.

What EHIRC acquisition mean to Fortis:

1600 beds, presence in Delhi, geographical spread in North by virtue of hospitals at Amritsar, Faridabad, Raipur if associate hospital in North. Above all the services of Dr.Naresh Trehan one of the most respected Cardiac Surgeons in the Country who is at EHIRC.

Videocon :

A case of making global company Videocon International Consumer Electronics firm was set up in 1987.

The vision.. To head a global business empire.

The Route Adopted: Global presence through acquisition. Videocon acquired French media and electronic major Thomson's a color picture tube (cpt) glass business. across China, Poland, & Mexico in July/05.

Acquisition of loss making India operations of Swedish major Electrolux Kelvinator LTD used (EKLL). The Thomson and EKLL acquisition has made video con a Rs 17500 Crores entity from Rs 7200 crores

How videocon compares with few major players

Players	capacity
Lg Philips displays	38 million.
Samsung	32 million
Matushita	12 million
Videocon	19 million

The opportunities studied

1. Sourcing contracts from Electrolux to provide a steady revenue & help improve the revenue (Top line). Global brands will become available for Indian market.
2. The benefit of scale to help compete in commoditized CPT market. The CPT market to prevail for next 10 to 15 years before LCD technology kills it
3. Thomson's 2000 patents to help strengthen marketing in display market.
4. The R&D capabilities and professional management at Thomson to help in management and research improvement which is missing in family owned Indian business like Hotline, Samtel or JCT.
5. To enter into exploration and production of oil by getting rights into Sudan, Jordan Yemen, Ukraine to bank on prospecting oil and gas.

Strength

1. Low cost producer of CPT in the world
2. 17 millions units per year domestic CPT capacity to cater Thomson's ready market
3. The exploration and production of oil in yeman, Ukraine is carefully chosen as in these areas the western countries would not go. These areas to be further developed for consumer electronics and appliances manufacturing base.

Threats

1. CPT market in USA and Europe is on decline (89% of global display market is in CPT-) only USA and Europe has moved to LCD market.

Weakness

1. Lack of professionals at management as global business needs professionals. The lack of bandwidth poses serious threats to manage 19 companies across 4 continents.

Tata's Rs 1 lakh Car :-**A Case of Challenging the Environment**

Rs 1 lakh car is a dream project of Mr. Ratan Tata. The idea was conceived in 1995. The statement made by Mr. Tata in one of the media appearances to offer a car in the range of Rs 1 lakh, gained currency and eventually it became a Tata Rs 1 lakh car although Tata never meant it so, but appears to have accepted it as challenge.

External Environment as understood by Tata.

1. A family of three to four crowded on scooter that require a weather proof means of transportation.
2. To bridge the gap between two wheeler and Maruthi-800 entry level car and there by provide a car priced between high end two wheeler and low end four wheeler
3. The market sales every year 6 million 2 wheeler and one million 4 wheeler new vehicles. Besides this 6 lakh second hand cars are sold in markets.
4. Indication from government to revisit taxation issue to small car manufacturing as the India is the potential base for small car manufacturing.

Focus

1. The focus is on to convert 6 million 2 wheeler customers to four-wheeler.
2. To put India's cheapest car on road by 2008.

Threats

1. Price cut by Maruti following general tax concession
2. Increase in warranty to 4-5 years by Maruti will activate second hand car market.
3. The capacity expansion by Maruti through new diesel car plant at Gurgaon in 2006 that would intensify competition to Indica diesel version and strain the revenue.

Strategy Behind Re.1 lakh Car

To question almost all industry's long standing beliefs and think out of box. Benchmark Maruti 800 car.

The analysis

The cost drivers in car making are Engine and Transmission 25%, The Skin 8% Eletricals 8%, Wheels and Suspension 9%, Interiors 8%. Build the engine at T¹st of Maruti car's engine cost. Skin: metal like or plastic. While the option of metal is cost prohibitor, the safety is concern in plastic usage as proved by Badul and Dolphin cars of Sipani make, decades ago.

The option chosen is metal like with innovation

A car has about 5000 spots welding where each spot welding cost Rs 2.20 Instead the usage of industrial adhesives reduces spots by half, reduces the weight by 25kg, provides rigidity to body, and help for usage of thinner sheet metal which helps for cost are weight reduction. This is what Tata calls out of box thinking.

Bharati Enterprise:

A Case of Creating Conglomerate Group.

Sunil Mittal – headed, Bharati Enterprises is known for Airtel brand in mobile telephone business covering 5200 towns & cities.

Vision:

Create a conglomerate in next 10years.

Derisk (telecom) business. Revenue from telecom less than 50%

External environment analysis:-

1. The telecom market to reach stagnation in next 5-6 years
2. The growth in telecom to come from foreign market. Turkey is planning to auction mobile license for Rs 11440 crores.

The strengths:-

- 1) Financial where withal
- 2) Confidence to diversify
- 3) Ability to manage annuity driven service business
- 4) Handling of large customer base in 5200 towns and cities
- 5) Maneuver through regulatory minefields

The businesses planned to enter are agriculture, insurance and airport.

Why Agriculture: -

- a) Demand for fruits and vegetables are there all over the world.
- b) Agriculture is not capital intensive.
- c) Changes in APMC legislation by Govt. to give fillip to Contract Farming.
- d) Politically a good word

Why Social Security Business (Insurance):-

1. Insurance is going mass. Once it goes to mass its success is sure. Bharati has tied up with AXA Life Insurance Company. Bharati telecom experience is a big booster to enter insurance.
2. In next ten year Mobil user will be to the order of 500 million. The average spend on mobile by the user is rs-200 per month. There is no government provided social safety net, there for the mobile user would be drawn to spend on insurance. In next 5 years Bharati plans to invest Rs-500 crore in building mass based insurance company.

Why Airport :-

The privatization of airport by government presents a huge opportunity in infrastructure project. The area of concentration is look to Delhi Airport and spread the wings in North Indian airports. Although Bharati's attempt is failed in this sector, but it is the temporary set back. Bharati enterprise thus plans to make its group a conglomerate with the likes of TATA and ITC as its bench mark.

Conclusion:-

Strategic management essentially centers around matching and or building internal strengths to the external opportunities. Overcoming the weakness and minimizing the threats the few cases presented in this paper is an attempt to bring out this essential principle of strategic management.

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