STRATEGIC RESPONSE TO LIBERALIZATION

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OUTLINE

- How Industries evolve after liberalization
- Global experience and Indian scenario
- Indian corporate sector response

- Quality consciousness
- Reengineering process and Restructuring
- Consolidation - Domestic and Global
- Strategic orientation
## HOW INDUSTRIES EVOLVE

<table>
<thead>
<tr>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fear and Euphoria</td>
<td>Turmoil</td>
<td>Stability</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>Major changes</td>
<td>Clear view</td>
</tr>
<tr>
<td>Prospects</td>
<td>Technologies</td>
<td>- Markets</td>
</tr>
<tr>
<td>Profits</td>
<td>- Processes</td>
<td>- Structures</td>
</tr>
<tr>
<td>Paradigms</td>
<td>- Needs etc.</td>
<td>- Competitors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rules</td>
</tr>
<tr>
<td>PHASE I</td>
<td>PHASE II</td>
<td>PHASE III</td>
</tr>
<tr>
<td>---------</td>
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</tr>
<tr>
<td>Air lines</td>
<td>Trucking</td>
<td>Long Distance Telecom</td>
</tr>
<tr>
<td>Trucking</td>
<td></td>
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<tr>
<td>Retail Brokerage</td>
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</tbody>
</table>
## EUROPEAN TRENDS

<table>
<thead>
<tr>
<th>PHASE I</th>
<th>PHASE II</th>
<th>PHASE III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air lines</td>
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<tr>
<td>Long Distance Telecom</td>
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</tbody>
</table>
### INDIAN SCENARIO

<table>
<thead>
<tr>
<th>PHASE I</th>
<th>PHASE II</th>
<th>PHASE III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air lines</td>
<td>Two Wheelers</td>
<td>Retail Brokerage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Automobiles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fast Moving Consumer Goods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Telecom</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Services</td>
</tr>
</tbody>
</table>
### THREE PHASES AND SEVEN STAGES OF THE TRANSITION PATH

<table>
<thead>
<tr>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate Post Deregulation</td>
<td>Turmoil</td>
<td>Equilibrium</td>
</tr>
<tr>
<td>2. Reduction in Inefficient Intermediation</td>
<td>5. Strategic Grouping</td>
<td></td>
</tr>
</tbody>
</table>
# U.S. Airlines Strategies

Strategies throughout the Transition to Deregulation

<table>
<thead>
<tr>
<th></th>
<th>Deregulation</th>
<th>Turmoil</th>
<th>Equilibrium</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td>Increase Revenues</td>
<td>Increase Load factor</td>
<td>Increase profitability</td>
</tr>
<tr>
<td><strong>Strategies</strong></td>
<td>Increase passengers</td>
<td>Increase Passengers</td>
<td>Maximum Yield &amp; Minimum Costs</td>
</tr>
<tr>
<td><strong>Tactics</strong></td>
<td>Superior Service</td>
<td>Reduce Fares to undercut Competition</td>
<td>Target a market price Competitive Cost control</td>
</tr>
</tbody>
</table>
COMMON CHARACTERISTICS

- ....All change
- Market expands dramatically
- Many enter.....
- ......And many more leave
- Industry consolidates

SURVIVAL STRATEGIES

- Consolidate
- Niche/ Specialization
- Radical change
- Focus on emerging markets
- Make the choice
TOOLS USED TO RESPOND TO LIBERALIZATION

1994 – 1995

- Quality circles
- ISO 9000 certification
- TQM
- Strategic Alliances
- Takeovers, Mergers
- Global Financing
- Growth strategies
- Joint ventures

1995 - till now
TOOLS USED TO RESPOND TO LIBERALIZATION

- Benchmarking
- Global sourcing, production sharing
- Kaizen, Kanban, cellular manufacturing
- Activity Based Costing, Life cycle costing
- Business process reengineering
- Going global
- Strategic orientation - vision, Mission
- Integration
- Supply Chain Management
- Core Competency
- ERP, CRM
QUALITY CONSCIOUSNESS

- Sundaram Brake linings
- Lucas TVS - TQM - 1 crore saving a year
- Sundaram Clayton - TQM - Deming prize 1998
- Ashok Leyland - ISO 9000
- Benchmarking, global sourcing, integration, quality circle, ERP, QS 9000...
COST CONSCIOUSNESS

“Conquer your cost before it conquers you”

Nirma

Pruned cost, backward integration, demand chain management, cost management, low cost labour, superior process, mindset routed to cost consciousness

TCM tools - cellular mfg., supply chain mgt, JIT, TPM, BPR, lean mfg, strategic sourcing, custom based software.

Areas - Mfg, purchasing, HRM, sales & distribution, marketing, Advertising, market research, Administration, Information technology, costing & accounting, finance, Inventory mgt, quality.
CONSOLIDATION
“Divided they fall, United they thrive”

Mergers, Strategic Alliances, Takeovers - Diversified operation

Strategic alliance - HFDC Bank - foreign bank participation

Bank Mergers
- ICICI Bank & Bank of Madurai
- ICICI & ICICI Bank
- ANZ Grindlays bank & Standard Chartered Bank

Reliance Ltd. & Reliance Petroleum
CORPORATE TAKEOVERS / MERGERS

- Rasi cement takeover by India cement
- Nirma takeover of Gujarat Heavy Chemicals
- Hindalco takeover of Pennar Aluminium
- Hindustan Lever - Brooke Bond, Lipton, Lakme, Ponds
India Piston - reengineered manufacturing process
1998 - BPR
- Procurement cost decreased by 25%
- Labour cost decreased by 15%.
STRATEGIC ORIENTATION

- Set Vision, Mission, Goals
- Identify core competencies, setting benchmarks
- Examine Competitive advantage
- Evolve growth plans - compete - logically - become global
- People management
LESSONS

- Consolidate - expand domestic/global
- Retreat to niche - radical change
- Sellout/Refocus on New opportunities
- Defend - tools - cost/quality/process drivers

MAKE YOUR CHOICE AND EVOLVE YOUR STRATEGY
SUMMARY

★ Focus on future opportunities abandon losers, look to emerging markets.

★ Leverage inherent strengths product, process, location, low labour cost, culture.

★ “Innovate and Adapt to Change”