

STRATEGIC RESPONSE TO LIBERALIZATION

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OUTLINE

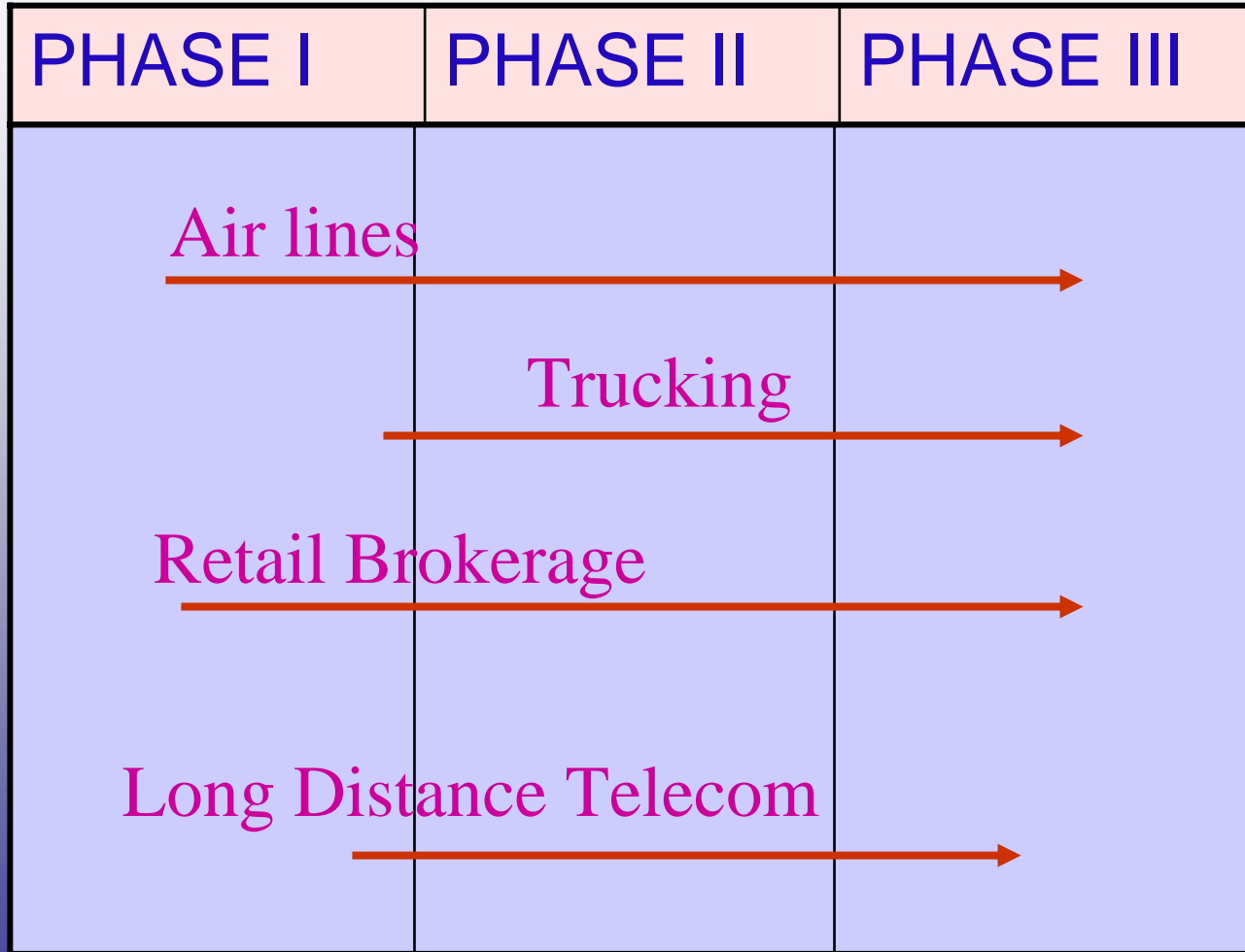
- ◆ How Industries evolve after liberalization
- ◆ Global experience and Indian scenario
- ◆ Indian corporate sector response

- ➡ Quality consciousness
- ➡ Reengineering process and Restructuring
- ➡ Consolidation - Domestic and Global
- ➡ Strategic orientation

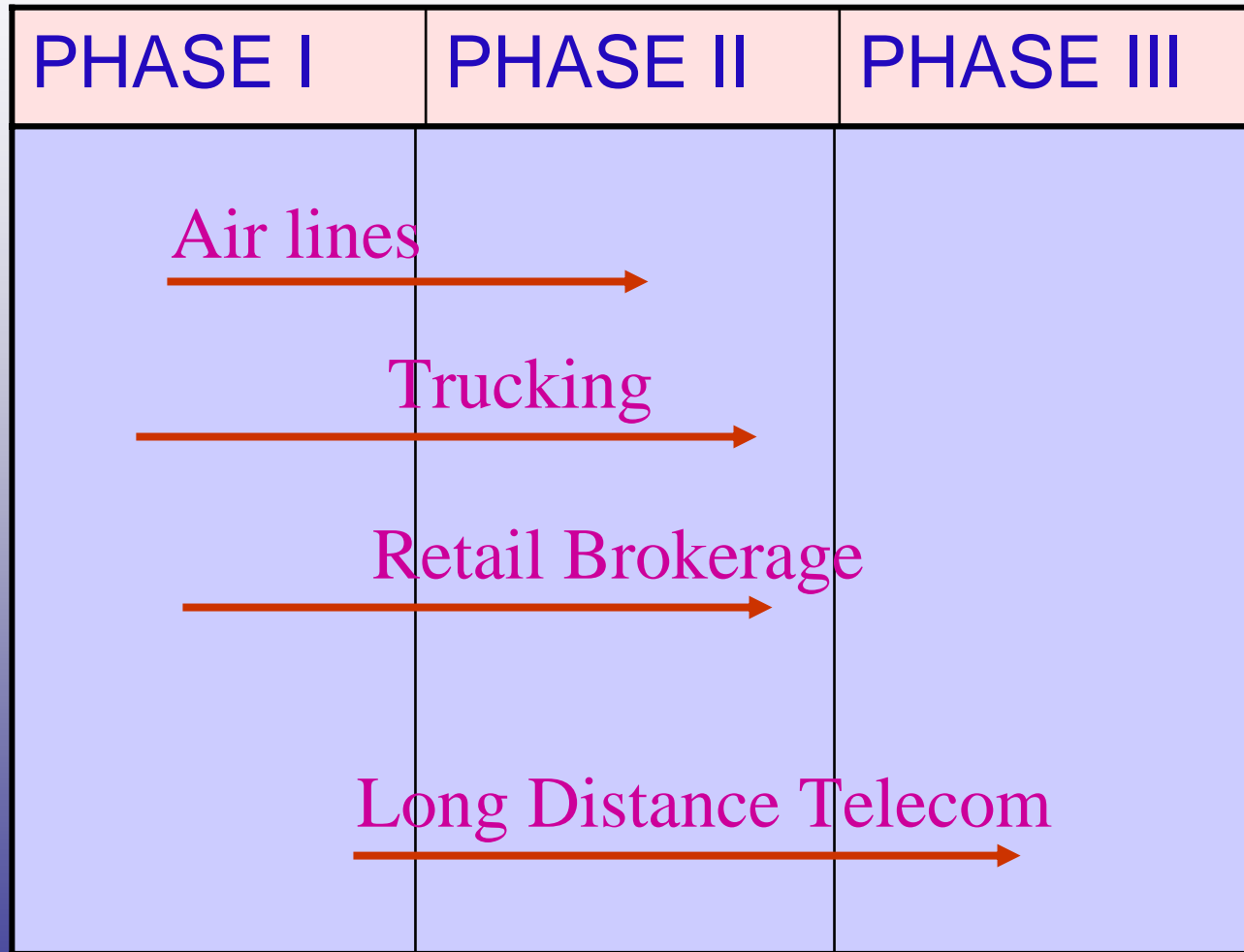
HOW INDUSTRIES EVOLVE

Phase I Fear and Euphoria	Phase II Turmoil	Phase III Stability
Uncertainty Prospects Profits Paradigms	Major changes Technologies - Processes - Needs etc.	Clear view - Markets - Structures -Competitors Rules

THE U.S. EXPERIENCE



EUROPEAN TRENDS



INDIAN SCENARIO

PHASE I	PHASE II	PHASE III
Air lines		
Two Wheelers		
Retail Brokerage		
Automobiles		
Fast Moving Consumer Goods		
Telecom		
Financial Services		

THREE PHASES AND SEVEN STAGES OF THE TRANSITION PATH

Phase I	Phase II	Phase III
Immediate Post Deregulation	Turmoil	Equilibrium
<p>1. Value Chain is altered</p> <p>2. Reduction in Inefficient Intermediation</p> <p>3. New Entrants see Opportunity</p>	<p>4. New Value Proposition</p> <p>5. Strategic Grouping</p> <p>6. Industry Shakeout</p>	<p>7. Industry stabilises into maintainable strategic groups</p>

U.S. AIRLINES STRATEGIES

Strategies throughout the Transition to Deregulation

	Deregulation	Turmoil	Equilibrium
Goal	Increase Revenues	Increase Load factor	Increase profitability
Strategies	Increase passengers	Increase Passengers	Maximum Yield & Minimum Costs
Tactics	Superior Service	Reduce Fares to undercut Competition	Target a market price Competitive Cost control

COMMON CHARACTERISTICS

- ☀ Technology, Process,
Economics, structure.
....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

REENGINEERING PROCESS

India Piston - reengineered manufacturing process

1998 - BPR

-Procurement cost decreased by 25%

-labour cost decreased by 15%.

STRATEGIC ORIENTATION

- ④ Set Vision, Mission, Goals
- ④ Identify core competencies, setting benchmarks
- ④ Examine Competitive advantage
- ④ Evolve growth plans - compete - logically - become global
- ④ 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”