CHAPTER - 1
INTRODUCTION

1.1 GOLBALISATION: ROOT CAUSE FOR PARADIGM SHIFT

In the present business scenario, everything has changed. Globalisation, the integration of markets across the globe, has changed the way modern organisations do business. Thomas Friedman points out in *The World Is Flat* that the knowledge, jobs and capital are now able to cross borders with far better speed and far less friction than was possible only a few years ago. Organisations in the present business world are now thinking of a global market instead of national markets. Globalisation wiped out the national political borders for the rationale of business. As such most of businesses have been spreading their operations to various foreign countries. As a result national firms started competing with MNC’s not particularly at home but with other firms of various countries. The integration of one nation economy with the other nations economies pose a challenge to the managers of the business world.

Globalisation along with rise in information technology leads paradigm shift in the operations and mode of doing business in general and strategic management in particular. The phase of globalisation after 1990s vanished national political boundaries for the purpose of business. In addition it set the phase for the emergence of global culture, logistic management systems, global product and services, global systems and practices, standardisation of accounting principles and practices, establishment of the manufacturing facilities throughout the world, preference for diversified human resources and sourcing the finance across the globe.

Significant shifts in globalisation have been due to the formation of World Trade Organisation (WTO), creation of regional integrations like European Union and ASEAN, SAFTA, NAFTA etc. declining trade and investment barriers, growth in multinational organisations, growth in foreign direct investment, transformation of MNC’s into transnational companies that consider the entire world as a single country for doing business.

The concept of globalisation leads to brainstorming sessions among the strategic thinkers to think upon the concept of strategy, how managers do develop strategies
and what the process for effective strategic management is. In fact managers of different organisation craft strategies differently though they are endowed with similar opportunities and resources challenged by more or less similar threats and weaknesses. Some developed strategies results in higher efficiency, while some other leads to disaster. How and why these drastic variations take place? An analysis management process would assist to understand the abnormalities in the ultimate outcome.

Different organisation having similar opportunities and resources but perform differently. Some organisation succeeds while others fail though both are in the same business. Similarly organisation dealing with the same product and catering to the same group of customers perform quite differently. This is only because of different strategic orientation adopted by different organisations. The strategies formulated and implemented by the managers make the growth rate, efficiency, long term survival and development of the company. As more industries across the globe become global, in turn, strategic management is becoming a crucial way to keep track of national and international developments.

Shift in the mind set of the customer from the usual low cost product to flexibility, innovation, speed, integration of wide range of functions and services and information revolution brought a change in the mindset of strategist. The change in the mindset of the strategist led to the shift in strategy crafting from the conventional competitive advantage based on low cost, large scale economics, and huge advertising budget to the innovation, differentiation and enlarging the product functions and convinencies.

The period post 1990 is marked by turbulent environment uncontrolled by any group of forces. “Assumptions of market immovability are replaced by motions of inherent instability and change.” Dynamics of strategic direction among the global and innovative combatants is caused by ever growing customer preferences, and partly due to the innovations of the competing firms. Hyper competition is a condition of rapidly growing competition based on i) price quality positioning, ii) innovative know how, iii) establishing first mover advantage, iv) competition to protect their own brand and market and invade competitors, brands and markets.
Crafting and implementing appropriate strategy that fits the turbulent environment is paramount. Starting from day to day planning in earlier times, managers try to anticipate the future through preparation of budgets and using control systems like management by objectives and capital budgeting. With the inability of these techniques to adequately emphasis the role of preparing for the future, long range planning came to be used. Soon long range planning was replaced by strategic planning and later, by strategic management, a term that is currently used to describe the process of strategic decision making.

1.2 CONCEPT AND NEED OF STRATEGY

By consideration the above discussed aspect there is stringent need to develop certain ground rules which provide a framework for the effective and efficient management of the business management in global scenario. In simple words, strategy is intended or embryonic course of action that is expected to contribute to the achievement of organisational goals. Strategy can be an idea or thought to complete a course of action. A strategy is defined as, “a unified, integrated and comprehensive plan that relates to the strategic advantages of the firm”. It is designed to make certain that the basic objectives of the firm are achieved through proper execution of the various plans.” Alfred D. Chandler define strategy as, “the determination of the basic long term goal and objective of an enterprise and the acceptance of the course of action and the distribution of the resources necessary for carrying out these goals”.

Analysis of definitions indicates that strategy is a long term plan. Some authors view it is an integrated plan. Strategy sometime be emerges as a result of situation or an incident as evident from incidents that happen in various companies.

It is beyond doubt to state that every organisation necessarily formulates strategies. To state specifically, strategy is to have rules to guide the search for new opportunity both inside and outside the firm. Strategy is necessary to take high quality project decision. Strategy is necessary to develop measures to examine whether a particular opportunity is a rare one or whether much better ones are likely to develop in the future. Strategy is necessary to have an assurance that the firm’s overall resources allocation pattern is efficient. Strategy is necessary to have and develop internal
ability to anticipate change. Strategy is necessary to save time, money and executive talent. Strategy is necessary to identify, develop and exploit potential opportunities. Strategy is necessary to utilize the delay principles, i.e. delay the commitment until an opportunity is on hand.

1.3 STRATEGIC MANAGEMENT

One can generalise and say that the strategic management is the process of management of strategic decision making, implementation and control. It is not complete meaning of strategic management though as it fails to cover many important aspect of strategic management. One should know that the nature of strategic management is different from that of management. Managers in most cases deal with day to day issues and problems of operational control. These issues and problems include procuring raw materials, scheduling production process, inventory control, producing goods, procuring finance, investing, capital budgeting, working capital management, procuring human resource, setting their problems, selling the products, creating demands, advertising, sales promotions and marketing research etc. All these tasks are important, but the managers perform these tasks based on general guidelines provided to them. Therefore these tasks are vital for efficient implementation of strategy but it is not the entire scope of strategic management.

“Strategic Management is deals with deciding on strategy and planning how that strategy is to be put into effect.” Strategic management is a wider term than strategy and is a process which includes top management’s analysis of the environment in which the firms operates prior to formulation of a strategy, as well as the scheme for implementation and control of the strategy. According to Samuel C. Certo and J. Paul Peter, “Strategic Management is continues, cross functional and iterative process aimed at keeping an organisations as a whole appropriately matched to its environment” A sequence of steps that a manager must take are identified by this definition. These steps include execution of environmental analysis, establishing organisational direction, formulating strategy, implementing strategy and exercising strategic control.

Strategic Management is the organised development of the functional areas viz. financial, material, marketing, manpower, technological etc. achieving of its
objective. It is the set of policies adopted by senior management which guide the
direction and scope of the organisation. It taken into account the environment in
which the company operates. It represents a new focus for the organisation; a focus
on a compelling vision of the future.

The difference between a strategy and the strategic management process is that the
latter consist of what must be done before a strategy is formulated through assessing
whether or not the success of an implemented strategy was successful. When an
organisation is practicing strategic management, thinking becomes more visionary.

1.4 STRATEGIC MANAGEMENT: A GLOBAL SCENARIO

There was the time when the organisation starts their business operation in the home
country alone in order to serve the domestic market only. And all efforts of the
management are focused over particular business operation to cater the needs of the
small geographical area. But globalisation leads the opening up of gate for the
foreign market for business and it becomes essential for the business organisation to
launch their business operations in the foreign market too. This leads to strategic
thinking in terms of scanning of environment for the various variable present in the
host country business environment, formulation of the strategies accordingly and
implementation of the resources for the execution of the strategy. After the strategy
implementation the proper evaluation and control program plays immense important
role in order to decide the path of success and failure for the organisation. And this
leads to competitive edge in terms of machinery, skills and varieties of products in
the domestic as well as in the foreign market.

Top managers face more complex strategic challenges today than before. Most
business organisations sell, buy, or trade across borders whether they have a
physical presence in other countries or sell a significant amount of imported goods.
Yet organisations typically concentrate on serving local or domestic markets before
expanding globally, many must interact with entities in other nations as a solution of
survival. Globalisation has brought a completely new set of issues and challenges
that an organisation today have to cope with environmental variable present in
business environment in order to provide competitive edge and become successful in
the market place. The role of management practices becomes integral to the growth
of business in the era of globalisation.
An important aspect of international strategic management involves selecting and developing the governance structures and functions of global firms and their component organisations, including organisational architecture, capabilities, management systems and managing resources networking of subsidiary organisations, management of operational strategies and information sharing in organisations engaged in substantial operations across national borders or located in multiple national environments. Management of the internationally isolated and often deeply integrated activities of global multi-business enterprises is a evolving, complex, but essential capability of firms.

As more organisations become global, strategic management is fetching an increasingly crucial way to keep track of international developments and position a company for long-term competitive advantage.

1.5 INDIA GOES GLOBAL: A STRATEGIC PERSPECTIVE

In the era of 1950s and 1990s, India’s industrial development policy was characterized by Licensee Raj. Later on in late 1980s, in ows of foreign technology and equity were permitted and manufacturing capacity constraints lifted. Liberlisation of the Indian economy in 1991 increased the intensity of international competition and change the internal information needs of Indian managers.

In July 1991, Indian economy was in deep crisis when foreign currency reserves had reached to approx. $1 billion; Inflation was reached to an annual rate of 17 percent, fiscal deficit was very high and had become unsustainable, NRIs and foreign investors had lost confidence in Indian Capital Market. Capital was going out of the country and country was close to defaulting on loans. Many unforeseeable changes swept the economies of countries in Western and Eastern Europe, Latin America, South East Asia. There were the economic pushes in abroad and at home that called for a complete overhauling of India’s economic policies and programs. Indian economy had experienced major policy changes in early 1990s. The new economic reforms, famous as LPG reforms (Liberalisation, Privatisation and Globalisation) focused at making the Indian economy as fastest growing economy and competitive across the globe. The process of reforms undertaken with respect to trade, industrial sector as well as financial sector of the Indian economy aimed at making the economy more efficient.
This period of economic transition has had a remarkable impact on the whole economic development of almost all major sectors of the economy, and its effects over the last two decades can hardly be overlooked. It also causes the real integration of the Indian economy into the global economy.

The main mantra of globalisation for Indian Multinational organisation is cross cultural literacy and diversity management with the help of effective and efficient strategic practices. This is very important for MNC’s to recognise and understand the impact and effects of socio economic and cultural values of local organisation behavior for successfully transferring the know how to various units of the organisation. This transformation owes its genesis to the liberalisation of the Indian national economy in 1991, the influx of MNC’s access to modern plants and equipment and globalisation, lower labour cost compared to other countries, and dynamic workforce of youth armed with the latest skills, knowledge and work ethics. This has motivated overseas manufactures into joint ventures with Indian companies.

The steady opening of the Indian economy resulted in the entry of foreign competitors and expanded production by indigenous manufacturers. In 1990s, the Indian economy was undergoing structural change and imports were largely unregulated (Upadhayay and Kanavi 1999).

Since introduction of LPG reforms in 1991, Indian firms are facing a very different competitive scenario compared with the past. The elimination of license regime meant end of control and protection measures. Manufacturing in India is at a critical junction. In Indian context manufacturing is a support activity for marketing and performance and therefore have got little top management attention. Most of organisations are still very far away from world class practices. At the same time foreign competitors are continuously working on improving manufacturing process, bringing in latest products and making production more proactive and responsive (Chandra and Sastry 1998). Industry in India, is facing competition both from multinational companies and imports in the local markets. The new competition is in terms of low cost; products with higher performance, improved quality a wider range of products and better service, and all delivered simultaneously. In order to
manage this highly competitive scenario, Indian managers were in dire need of strategic thinking.

Manufacturing companies are under increasingly diverse and mounting pressures due to changing customer choice, more sophisticated markets and global competition. The market for products is becoming increasingly global. In such an aggressive scenario companies have to search for new processes, new materials, new vendors and new channels to deliver products and services at competitive price. Indian companies have generally followed an opportunistic approach to growth as opposed to a capability driven approach that seeks to make stronger key aspects of production and paid very little strategic attention to their shop floors in the last few decades (Chandra and Sastry 1998).

In general, key pattern in strategic management as practiced by the Indian companies in the three periods i.e. pre liberalisation stage 1980s, the liberalisation stage i.e. 1990s and post liberalisation stage, i.e. 2000 are as below:

Pre Liberalisation Stage Includes:

- Subsuming enterprise objective into the national planning framework.
- Capabilities in generating grabbing opportunities.
- High diversification, non competitive scales and weak technology capabilities.
- Secretive and ‘one man’ strategic management process.

The decade of 1990s Includes:

- Carried ‘operation delinked strategy’ mindset to the early 1990s.
- ‘Foreign Complex’ governed strategy in older groups in early 1990s.
- Strategy of focus through rationalisation and operations improvement by majority of companies in the late nineties.
- Strategy of growth through acquisition, internationalisation and product market expansion by some companies in the late 1990s.
- Experiment with international consulting firms in strategic management process.

Post Liberalisation Stage Includes:

- Acquire a ‘global maverick’ mindset and actively shed pre liberalisation thinking.
• Synergise entrepreneurial flair with professional skills in strategic management.
• Complete portfolio rationalisation, but also expand boundaries through internationalisation and entry into emerging sectors.
• Mobilise increased resources and ensure adequate growth through existing businesses.
• De-merge businesses as in dependent companies, for focus and improved market capitalisation.
• Actively promote development of technology capabilities.
• Decentralize organisations and develop institutional control mechanism.

The most important phase for the Indian economy was after liberalisation phase, where foreign firms along with competition, brings lots of aspect on strategic thinking for the Indian firms. Earlier where there is only a concept of simple planning, now has been shifted into strategic planning. With the rise in Indian Management education too, the concept of Business Policy and Strategic Management was also well acknowledged by the Indian managers. In nutshell, this is the engine of LPG reforms which lead the train of strategic management for Indian economy to keep the train of growing economy of right track.

Hence we have seen that in the globalised business world various factors plays immense important role in decision making of the organisation which in turn affects the business operations. Also, a survey of research in management in India during the decade 1983-93, reveals that only 13 doctoral dissertations out of a total of 399, have been prepared in the area of business policy and strategic management. And the picture beyond this is also not much satisfactory beyond this. By all these perspective taken into consideration, where the each and every organisation whether doing operation internationally or serving to the domestic market has undergone a paradigm shift in relation to their management practices, the present study made an attempt to make a insight on the strategic inclination of the selected large enterprises in India, whereby three prominent industrial sectors of the economy viz. Banking, Fast Moving Consumer Goods and Passenger Car Industry is taken into consideration.
1.6 BRIEF PROFILE OF SELECTED INDUSTRIAL SECTORS OF THE INDIAN ECONOMY

1.6.1 Fast Moving Consumer Goods (FMCG) Industry

Fast Moving Consumer Goods (FMCG) is defined as the goods that are sold or consumed at regular and small intervals. Consumers play a crucial role in the Indian FMCG sector as the price band of each FMCG product is fixed depending largely on the consumer class which the particular company is targeting.

FMCG sector of India has variety of brands from different market players and every market player puts in ample efforts in ensuring that brands of their organisations are available, reachable and consumers of their brands continue to use the brands of their organisation. The FMCG Industry in India is worth more than USD$ 13.1 billion making it the fourth largest sector in the economy and India represents world’s 12th largest consumer market. Over the past decade, the FMCG sector of India has been annually growing at a consistent rate of 11%. And this double digit growth each year has been possible only by enhancing consumer demands. McKinsey Global Institute in their report “The Bird of Gold”: The rise of India’s Consumer Market predicts that by 2025 India will become world’s fifth largest consumer market. In the past five years the growth had then accelerated to 17%. The increasing demand for the fast moving consumer goods, speaks volumes about the growth projection of the FMCG sector in India. The FMCG Sector in India has witnessed a range of recent developments. Tax deductions on various items, rise in the penetration levels and per capita consumption are some of the major developments in FMCG. The FMCG Sector in India involves a strict competition between the unorganized and organized sectors of consumer durables. Indian FMCG market remains a very highly uneven market wherein approximately half of the market is flooded with unpackaged, unbranded home made products. On one hand such a huge market means vast opportunities on other hand it poses plentiful challenges to be conquered. The branded market itself is characterized by intense competition, brand muddle with little or no differentiation in the offerings. Indian companies are determined hard to keep up with ever-changing consumer tastes and preferences. The advantages of a strong and attractive brand were taken for granted for a long time. In such a scenario biggest challenge for marketers is to create
differentiation. Differentiation which is based on features of the product has become a difficult task as competitors will take no time in acquiring or imitating that feature. The Indian government has given several tax benefits for the FMCG sector in India. The government also has emphasised on the infrastructural developments in the FMCG sector. The consumption of personal care and health products in FMCG sector has increased in the recent past with increase in disposable income especially among the early stages group in India. A few of the FMCG product are Soaps and detergents, Toiletries, Cosmetics, Cleaning and disinfecting agents, Pharmaceuticals, Non-durables.

The markets will get tougher as consumer tastes evolve rapidly based on rising incomes, more companies enter the fray and established market leader step up their game. Apart from this India is among the world's youngest nations, with a median age of 25 years as compared to 36 in the US and 43 in Japan. This, coupled with a large population and quickly evolving consumer preferences, has translated into a huge market opportunity for FMCG players. Therefore, to differentiate FMCG products and to create an edge over competitor’s marketers need to go back to the basics of creating sustainable differentiation strategies for their brands. As the urbanisation rate is expected to increase from the current 30 to 45 per cent in the next 40 years, Indian cities are expected to add 379 million people to the consumer base for FMCG companies.

In nutshell, FMCG sector has a great opportunity for the growth in the country with the rising disposable incomes, the growing population, increasing rural consumption, education, urbanisation, rising modern retail and a consumption-driven society. Low per capita consumption of almost all products and low cost labor in India, gives the country a competitive advantage as many MNC's have established their plants in India to outsource for domestic and export markets.

Brief profile of the selected player in the FMCG sector is discussed in the following section.

1.6.1.1 Hindustan Unilever Ltd.

Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods Company with a legacy of over 80 years in India and touches the lives of two out of
three Indians. HUL is a subsidiary of Unilever, world’s largest suppliers of fast moving consumer goods with strong local roots in more than 100 countries across the globe. HUL works to create a better future every day and helps people feel good, look good and get more out of life with brands and services that are good for them and good for others. HUL meet everyday needs for hygiene, personal care and nutrition with brands that help people look good, feel good and get more out of life. HUL strive to reach its customers in the most cost effective manner and delight them.

With over 35 brands spanning 20 distinct categories such as detergents, soaps, shampoos, toothpastes, skin care, deodorants, tea, cosmetics, packaged foods, ice cream coffee, and water purifiers, the Company is a part of the everyday life of millions of consumers across India. Its portfolio includes leading household brands such as Lifebuoy, Lux, Surf Excel, Wheel, Rin,Fair & Lovely, Dove, Ponds, Clinic Plus, Lakme, Vaseline, Closeup, Sunsilk, Axe, Bru, Pepsodent, Brooke Bond, Knorr, Kissan, Kwality Wall’s and Pureit. Hindustan Unilever passionate about these brands and proud of the way they help people get more out of life.

The Company has over 16,000 employees and has an annual turnover of INR 32086.32 crores (financial year 2014 - 2015). Unilever has 67.25% shareholding in HUL.

By exploiting its global reach and inspiring people to take small, everyday actions, HUL think it can help make a big difference to the world. While growing HUL business it will increase its positive social impact by reducing its environmental footprint.

1.6.1.2 Indian Tobacco Company Ltd. (ITC LTD.)

ITC is one of India's leading private sector companies with a turnover of US $ 7 billion with market capitalisation value of US $ 45 billion. As a Company deeply rooted in India's soil, ITC is inspired by the prospect to serve a larger national purpose and create enduring value for its stakeholders. This abiding vision has spurred innovation, inspiration and vitality to ensure a considerable and rising contribution to the Indian Economy, whilst simultaneously contributing significantly to sustainable livelihoods and enhancing environmental capital. ITC currently doing
its business in the area of Fast Moving Consumer Goods (FMCG), Agri-Business, Paperboards & Specialty Papers, Hotels, Packaging, and Information Technology. ITC is also, one of India’s largest exporters of agri-products. ITC’s non-cigarette FMCG business, which contributes nearly 25% to the revenues grew by 29% Year on Year in Financial Year 14-15, surpassing the industry growth, a sign that ITC is fast gaining market share in the Indian FMCG industry, which is still dominated by HUL, with a 18% market share. For the financial year turnover of the company is Rs. 49964.82 crores and total profits is Rs. 9607.73 crores. During the financial year 2014-15, ITC earned Rs. 5901 crores in foreign exchange. In a short span of time, ITC has penetrated successfully in segments like food & confectionery and personal care products. ITC ranks among India's 10 Most Valuable Brands', in a study conducted by Brand Finance and published by the Economic Times. ITC also ranks among Asia's 50 best performing companies compiled by Business Week.

ITC has established vital brands like Aashirvaad, Sunfeast, Delishus, Dark Fantasy, Bingo!, Yippee!, Candyman, mint-o, Essenza Di Wills, Fia mia Di Wills, Vivel, Vivel Cell Renew, Engage and Superia Classmate and Paperkraft Wills Lifestyle and John Players Mangaldeep Agarbattis and Aim match sticks. By offering a sensible mix of pioneering products and leveraging ITC’s robust distribution network, the business is garnering market shares in a relatively short span of time. ITC creates enduring value for the country by building world-class Indian brands which generate, capture and retain value in the country, apart from supporting sustainable livelihoods.

Presently ITC benefitting over more than 4 million farmer, educating over 400000 children, providing soil and moisture conservation to over 200000 hectares of dry land, providing animal husbandry services for over 1100000 milch animal and creating 40000 sustainable livelihood for women. ITC has strengthened its market share in FMCG sector via the launch of new products with enhancing distribution channels, innovative ideas and penetration into new segments. All these initiative made ITC a leading player in the Indian FMCG industry.

1.6.1.3 Procter & Gamble (India) (P&G India)

The Procter & Gamble Company is focused on providing branded consumer packaged goods of superior quality and value to improve the lives of the world's
consumers. The Company was incorporated in Ohio in 1905, having been built from a business founded in 1837 by William Procter and James Gamble. Today, P&G sell its products in more than 180 countries and territories. P&G is a global leader in retail goods focused on providing branded consumer packaged goods of superior quality and value to their consumers around the world. Their products are sold in countries and territories primarily through grocery stores, membership club stores, mass merchandisers, department stores, drug stores, salons and high frequency stores. P&G continue to expand their presence in other channels, including perfumeries, pharmacies and ecommerce.

P&G work collaboratively with its customers to improve the in-store presence of P&G products. P&G believe that it must continue to provide new, innovative products and branding to the consumer in order to grow its business. Research and product development activities, designed to enable sustained organic growth, continued to carry a high priority. While many of the benefits from these efforts will not be realised until future years, P&G believe these activities demonstrate its commitment to future growth.

P&G have on-the-ground operations in approximately 70 countries. P&G operates under three entities in India - two listed entities “Procter & Gamble Hygiene and Health Care Limited” and ‘Gillette India Limited’, as well as one 100% subsidiary of the parent company in the U.S. called ‘Procter & Gamble Home Products’.

P&G’s Market Development Organisations are focused on understanding consumers and retailers in each market. Market Development Organisations integrate the innovations flowing from the Global Business Units into business plans to grow business in each country, using their expertise in sales, logistics and retail execution.

P&G is one of the largest and amongst the fastest growing consumer goods company of India. Established in 1964, P&G India now serves over 650 million consumers across India. Technological innovations and superior product propositions have enabled P&G to achieve market leadership in a majority of categories it is present in. P&G India is committed to sustainable growth in India, and is currently invested in the country via its five plants and over nine contract manufacturing sites, as well as through the 26,000 jobs it creates directly and indirectly. P&G’s sustainability efforts focus on Social Responsibility as well as Environmental Protection and to help develop the communities.
Its presence spread across the grooming segment and beauty, the household care segment as well as the health and well being segment, with trusted brands that are household names across India. These include Vicks, Ariel, Tide, Whisper, Olay, Gillette, Ambipur, Pampers, Pantene, Oral-B, Head & Shoulders, Wella and Duracell. P&G performing its business operations across the globe and providing competitive edge to its rival.

Innovation has always been and continues to be P&G's lifeblood. To consistently win with consumers around the world across preferences and price tiers and to consistently win versus its best competitors, each P&G product category needs a full portfolio of innovation, including a mix of product improvements, commercial programs and game changing innovations.

Finally, P&G focused on improving operating discipline in everything it can do. Executing better than its competitors is how it wins with customers and consumers and generates leadership returns for its shareholders.

1.6.2 Banking Industry

Banks are the most significant players in the Indian financial market. Banking plays central role in the economic development of all the nations of the world because a developed banking system holds the key as well as serves as a barometer of economic health of a country. The banking sector is core competency of the world economy which influences the strength of every nation’s economy. In the present scenario banking sector in India is performing well to make every citizen free from poverty, ignorance and finance problems by launching various schemes initiated by the government of the day like Jan Dhan Yojna, Pradhan Mantri Bima Suraksha Yojna, Atal Pension Yojna etc.

The performance of banks is completely linked with the growth of economy. Improved performance of the banking industry in India has helped the economy to bounce back to a positive growth level. According to the Reserve Bank of India (RBI), the banking sector in India is sound, adequately capitalised and well-regulated. Indian financial and economic conditions are much better than in many other countries of the world. Credit, market and liquidity risk studies show that Indian banks are generally resilient and have withstood the global downturn well.

With the potential to become the fifth largest banking industry in the world by 2020 and third largest by 2025 according to KPMG-CII report, India’s banking and
financial sector is expanding rapidly. The Indian Banking industry is currently worth Rs. 81 trillion (US $ 1.31 trillion) and banks are now utilising the latest technologies like internet and mobile devices to carry out transactions and communicate with the masses.

After LPG reforms deregulation in the banking sector, significantly expanded the size of banking industry in terms of the number of banks branches and new private banks, as well as enhanced the scale of operations, particularly in new businesses like insurance, mutual funds and merchant banking etc. The Indian banking sector consists of 26 public sector banks, 20 private sector banks and 43 foreign banks along with 61 regional rural banks (RRBs) and more than 90,000 credit cooperatives.

The major challenge faced by the Indian Banking and Financial sector is that the level of financial exclusion in India is alarming and there is an urgent need to find a plausible solution to the same. The IBA–BCG survey of banks revealed that the level of confidence in finding profitable solutions for financial inclusion is not very high. Financial inclusion has solely been the responsibility of public banks up until now, but by using inclusive growth as one of the criteria for new licences (new banks have to open 25 per cent of their branches in rural areas), the RBI will have made the new private sector banks responsible as well. Currently, public sector banks have more branches than any other bank group in the rural and semi-urban areas.

1.6.2.1 State Bank of India (SBI)

Founded in 1806, Bank of Calcutta was the first Bank established in India and over a period of time evolved into SBI. SBI represents a sterling legacy of over 200 years. Later renamed the Bank of Bengal, on 2 June 1806. The Bank of Bengal was one of the three presidency banks, the other two being the Bank of Bombay (incorporated on 15 April 1840) and Bank of Madras (incorporated on 1 July 1843). It was ever joint stock bank of the British India, establishment under the sponsorship of the Government of Bengal. The presidency banks compound on 27 January 1921 and re-organized banking unit took as its name Imperial Bank of India. The Imperial Bank of India remained a joint stock company but without Government participation. Pursuant to the provisions of the State Bank of India Act of 1955, the Reserve Bank of India, which is India’s Central Bank acquired a controlling interest in the Imperial Bank of India. On 1 July 1955, the Imperial Bank of India became the State Bank of
India. It is the oldest commercial Bank in the Indian subcontinent, strengthening the nation’s trillion dollar economy and serving the aspirations of its vast population. The Bank is India’s largest commercial Bank in terms of assets, deposits, profits, branches, number of customers and employees, enjoying the continuing faith of millions of customers across the social spectrum. State bank of India is a multinational banking and financial services company its headquarters in Mumbai, Maharashtra.

The sheer size of India 1.25 billion people, with half of them below 25 years of age coupled with the diversity of its populace and plurality of cultural moorings, makes realising these aspirations a daunting task. State Bank of India (SBI)’s relationship with India and its growth is umbilical. Which is why, as a new, aspirational India emerges, backed by a strengthening economy, more opportunities and increasing penetration of financial services, SBI is at the forefront of this transformation. SBI makes a profound contribution in driving all sectors of the Indian economy primary, secondary and tertiary, in equal measure. It is one of India’s most familiar institutions of trust stretching from the remotest villages to the global financial hubs. And SBI constantly re-engineering itself and its role to keep step with the changing dynamics of the needs of its customers and its operating environment. SBI recognised technology driven, on the go banking as the new normal. SBI leveraging customer-connect platforms on social media to further its reach. It expanding its physical branch and network presence, and constantly evolving its products and services portfolio to remain a preferred contemporary choice in banking. At the same time, SBI commitment to financial inclusion continues unabated, in line with the national agenda of inclusive growth. SBI focus on helping translate national aspirations into on-ground realities, and ensuring value creation for all and ensuring a better quality of life for large parts of unbanked population. What started off with a few hundred branches and a few hundred crores of business, is today a Bank that has surpassed `26 trillion in business size. SBI has over 100,000 touch points (branches, ATMs, CSPs) that directly serve its customers everywhere. But this is not just the story of a commercial Bank. It is the story of how an aspirational India has embraced growth over the years, and how it continues to look ahead with confidence. SBI is a proxy for the aspirational nation of India.

SBI has its corporate office at Mumbai. Its domestic operational area is divided into 14 Circles, each one with one Local Head Office and a few Zonal and Regional
Offices. The Bank is present not just in major metropolises of India but has wide reach in the villages of India. The Bank’s top management consists of the Chairman, group executives for National Banking Group, Corporate Banking Group, International Banking Group and Associates and Subsidiaries, and four staff functionaries in charge of finance, credit, human resource & technology management and inspection & audit.

The SBI management believes improvement in macroeconomic environment and expected revival in economic growth will help to mitigate risks and resolve problems of asset quality. SBI expect a clear revival in the investment climate. Higher spending on infrastructure, speedy implementation of projects and continuation of reforms will provide further impetus to growth.

What started off with a few hundred branches and a few hundred crores of business is today a Bank that has surpassed Rs. 26 trillion in business size. SBI has over 100,000 touch points (branches, ATMs, CSPs) that directly serve customers everywhere. But this is not just the story of a commercial Bank. It is the story of how an aspirational India has embraced growth over the years, and how it continues to look ahead with confidence. SBI is a proxy for the aspirational nation of India. And SBI proud of its ability to give wings to those aspirations.

1.6.2.2. Punjab National Bank.

Punjab national bank (PNB) is an Indian Financial services company based in New Delhi, India. PNB is the third largest bank in India in terms of asset size. Punjab National Bank (PNB) was established in 1895 at Lahore, in undivided India, by one of India’s most prominent reformists, Late Lala Lajpat Rai. PNB has the distinction of being the first bank in India to have started solely with the domestic capital and indigenous enterprise. In 1944, the bank for the first time, introduced the teller system. In 1947, the registered office of PNB was shifted from Lahore to Delhi. PNB acquired several banks since 1940, viz. Bhagwan Das Bank Ltd. (1940), Bharat Bank (1951), Indo Commercial Bank Ltd and Universal Bank Ltd., (1960). It was nationalized in1969. It took over Hindustan Commercial Bank in 1986 and New Bank of India in 1993. PNB has had the privilege of maintaining accounts of national leader such as Mahatma Gandhi, Jawahar Lal Nehru, Lal Bahadur Shashri, Indira Gandhi, as well as the account of famous Jalianwala Bagh Committee.

PNB has its corporate office at New Delhi that supervises 13 FGM offices and 69
circle offices under which the branches function. The delegation of power is
decentralized up to the branch level to facilitate quick decision making. It is the third
largest bank in term of asset size. The top management of bank consists of
chairman, executive directors, and general managers.

PNB has a wide variety of products and services that meet diverse requirements of
its vast customer base. As there are some positive sign of recuperating Indian
economic scenario the future will bring its own mix of opportunities and challenges.
Considering this the bank will continue to focus on improving capital adequacy,
improving asset quality and qualitative credit expansion. The sole aim of the bank is
to provide customers with the best and most comprehensive financial services, and
the bank continues ideate and innovate to take this reputed institution to greater
heights.

1.6.2.3 ICICI Bank.

ICICI Bank was established by the Industrial Credit and Investment Corporation of
India (ICICI), an Indian financial institution, as a wholly owned subsidiary in 1994.
The parent company was formed in 1955 as a joint-venture of the World Bank,
India’s public sector banks and public sector insurance companies to provide project
financing to Indian industry. The bank was initially known as the industrial Credit
and Investment Corporation of India Bank before it changed its name to abbreviated
ICICI Bank. The parent company was later merged with the bank.

ICICI Bank started as a wholly owned subsidiary of ICICI Ltd., an Indian financial
institution. In 1998 through a public offering of share in India, ICICI’s shareholding
ICICI Bank was reduced to 46 percent. In the year 2000, ICICI Bank offered made
an equity offering in the form of American Depositary Receipts on the New York
Stock Exchange (NYSE), thereby becoming the first Indian company and the first
bank or financial institution from non-Japan Asia to be listed on the NYSE. ICICI
Bank acquired the Bank of Madura Ltd. in an all-stock deal in 2001. In October
2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of
ICICI and two of its wholly owned retail finance subsidiaries, ICICI Personal
Financial Services Ltd. and ICICI Capital Services Ltd., with ICICI Bank. The
merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by
the High Court of Gujarat at Ahmadabad in March 2002 and by the High Court of
Judicature at Mumbai and the Reserve Bank of India in April 2002. With a rich
heritage in the adoption of cutting-edge technology, ICICI Bank has always been a
pioneer in delivering convenience in banking. And the bank continues to innovate and offer a range of new products and services, many of which are the first of their kind.

Bank has it’s headquarter in Mumbai, Maharashtra. The organisation structure of ICICI bank is divided into five principal groups- Retail Banking, wholesale Banking, Project finance and Special Assets Management, International Business and Corporate Centre. It is the second largest bank in term of asset size. The top management of bank consists of chairman, executive directors, general managers and executives for subsidiaries. Turnover of the bank for the year 2014-15 is Rs. 61267.27 crore as compare to Rs. 54606.02 crore in the year 2013-14. ICICI believe that the more appropriate it becomes to their customers through innovations that drive ease, the more deep and meaningful their relationships will be. Through this, ICICI Bank strives to achieve higher levels of customer satisfaction as well as creation of shareholder value.

1.6.3 Passenger Car Industry

The Indian Automotive industry emerges as a sun rise in Indian economy after the LPG reforms with the entry of foreign players in the Indian market. India is emerges as the second largest two wheeler manufacturer and fastest growing passenger car market. The automobile industry is one of the key drivers that boost the economic growth of the country. Since the de-licensing of the sector in 1991 and the subsequent opening up of 100 percent FDI through automatic route, Indian automobile sector has come a long way. Today, almost every global auto major has set up facilities in the country.

The in general terms automobile sector is divided in four different sectors as follows:

- Two-wheelers which comprise of mopeds, scooters, motorcycles and electric two-wheelers
- Passenger vehicles which include passenger cars, utility vehicles and multi-purpose vehicles
- Commercial vehicles that are light and medium-heavy vehicles
- Three wheelers that are passenger carriers and goods carriers.
According to the Confederation of Indian Industry, the automobile sector currently employs over 80 lac people. An extension in production in the automobile industry is forecasted, it is likely to rise to Rs. 600000 crore by 2016.

The growth of the Indian automobile sector is evident from the rise in the income of the middle class. The increasing competition not only results in providing multiple choices to customers but also improve productivity. The world standing for the Indian automobile sector, as per the Confederation of the Indian industry is as follows:

- Largest three-wheeler market.
- Second largest two-wheeler market.
- Tenth largest passenger car market.
- Fourth largest tractor market.
- Fifth largest commercial vehicle market.
- Fifth largest bus and truck segment.

**Factors which determine the growth of the industry:**

- Fuel economy and demand for greater fuel efficiency is a major factor that affects consumer purchase decision that will bring leading companies across two-wheeler and four-wheeler segment to focus on delivering performance-oriented products.
- Powerful legal and banking infrastructure.
- Increased affordability, increase in demand for the small car segment and the rising income of the Indian population.
- India is the third largest investor base in the world.
- The Government technology modernisation fund is concentrating on establishing India as an auto-manufacturing hub with the rise in **Make in India** mission.
- Availability of inexpensive skilled workers.
- Industry is perusing to elevate sales by knocking on doors of women, youth, rural and luxury segments.
- Market segmentation and product innovation.
With the launch of “Make in India” mission by government of India the vibes of potential business are on rise in the country. The Indian automobile industry has a prominent future. Apart from meeting the advancing domestic demands, it is penetrating the international market too. Favoured with various benefits such as production of steel at lowest cost, globally competitive auto-ancillary industry, entrenched testing and R & D centers, inexpensive and high skill manpower etc., the industry provide immense investment and employment opportunities.

The passenger car industry promised a blend of technology and automotives. With the recession trend breaking its leashes form the past two years, in the coming years it is expected to get back on track with the sales of automobiles in the country. And has the following implication:

- Almost self-governing cars are expected to be on the streets by 2020.
- More than half the cars on the roads are going to be powered by diesel by 2020.
- Industry analyst Gartner indicates that 30 percent of motorists want parking information. This facility is likely to come up after glitches in the infrastructure catch up.
- High Performance Hybrid passenger cars are likely to gain more popularity among consumers.

By seeking the track record of the passenger car industry in India in past, the future prospect and the rising of middle class ownership of the cars, the passenger car industry segment is selected. The most prominent player viz. Maruti Suzuki India Ltd., Tata Motors and Hyundai Motors India Ltd. is taken into consideration for make an insight on the strategic inclination of the management decisions of the respective passenger car players. A brief profile of the selected organisation is discussed in the subsequent sections.

1.6.3.1 Maruti Suzuki India Ltd.

Maruti started out its operations in 1982 at Gurgaon, Haryana. Which later on becomes the epicenter of the automobile revolution in India. The year marked the birth of the Maruti Suzuki factory. India turned out 40,000 cars every year. The new Maruti Suzuki 800 hit the streets to begin a whole new chapter in the Indian
automobile industry. Maruti Suzuki has led the automobile industry in India in the passenger vehicle segment. The trust, confidence and love reposed in its brand by millions of people inspire it to offer mobility solutions to diverse customer segments. Such a strategy will strengthen their brand recall, and create additional revenue streams for business sustainability.

Maruti set out with an obsession for customer delight, one that was unheard in the corridors of automobile manufacturers then. It was about a commitment to create value through innovation, creativity, openness, quality, partnerships and learning. It created a road that was going to lead the world in to a whole new direction, laid out by Maruti Suzuki.

Maruti Suzuki produces 1.5 million family cars every year. Maruti drove up head and shoulders above every major global auto company. Maruti story was not just about making a mark. It was about revolutionary cars that delivered great performance, efficiency and environment friendliness with low cost of ownership. A team of over 12500 dedicated and passionate professionals that turned out 14 cars with over 150 variants. Maruti has service network spanning over 1454 cities and towns and a sales network that spreads across 1097 cities, 2 state of art factories, a diesel engine plant with a capacity upped to turn out 7 lakh diesel cars a year and, a commitment to road safety to make Indian roads safer. Maruti inspiration comes from one place, India’s hopes, dreams and aspirations.

In an industry characterised by growing customer expectations, intense competition and elevating quality, safety and environmental norms, Maruti strengthened its leadership. Maruti faced roadblocks, but challenges have only served to reinforce its confidence to try harder and perform better. It consistently co-create value for all stakeholders, despite economic volatility and business adversities.

Maruti Suzuki aspire to be a Company that performs with passion to delight customers and create value for all stakeholders. Maruti is looking at the road ahead. Maruti apply its breadth of expertise and experience to unveil industry-leading initiatives and innovations for the value creation to its customer for long lasting relationships and beyond.
1.6.3.2 Tata Motors Ltd.

Established in 1945, Tata Motors’ presence cuts across the length and breadth of India. Over 8 million Tata vehicles ply on Indian roads, since the first rolled out in 1954. It is the leader in commercial vehicles in each segment, and among the top in passenger vehicles with winning products in the compact, midsize car and utility vehicle segments. The company’s manufacturing base in India is spread across Jamshedpur (Jharkhand), Pune (Maharashtra), Lucknow (Uttar Pradesh), Pantnagar (Uttarakhand), Sanand (Gujarat) and Dharwad (Karnataka). Following a strategic alliance with Fiat in 2005, it has set up an industrial joint venture with Fiat Group Automobiles at Ranjangaon (Maharashtra) to produce both Fiat and Tata cars and Fiat powertrains.

Tata Motors has emerged as an international automobile company. Through subsidiaries and associate companies, Tata Motors has operations in the UK, South Korea, Thailand, South Africa and Indonesia. Among them is Jaguar Land Rover, acquired in 2008. In 2004, it acquired the Daewoo Commercial Vehicles Company, South Korea’s second largest truck maker. In the present day scenario two-thirds of heavy commercial vehicle exports out of South Korea are from Tata Daewoo. In 2006, Tata Motors formed a 51:49 joint venture with the Brazil based, Marcopolo, a global leader in body building for buses and coaches to manufacture fully-built buses and coaches for India, the plant is located in Dharwad. In 2006, Tata Motors entered into joint venture with Thonburi Automotive Assembly Plant Company of Thailand to manufacture and market the company’s pickup vehicles in Thailand, and entered the market in 2008. Tata Motors (SA) (Proprietary) Ltd., Tata Motors’ joint venture with Tata Africa Holding (Pty) Ltd. set up in 2011, has an assembly plant in Rosslyn, north of Pretoria.

The company’s commercial and passenger vehicles are already being marketed in several countries in Europe, Africa, the Middle East, South East Asia, South Asia, South America, CIS and Russia. It has franchisee/joint venture assembly operations in Bangladesh, Ukraine, and Senegal.

The foundation of the company’s growth over the last 69 years is a deep understanding of economic stimuli and customer needs, and the ability to translate
them into customer-desired offerings through leading edge R&D. The company has R&D centers in Lucknow, Pune, Jamshedpur, Dharwad in India, and in South Korea, Spain, Italy and the UK.

Tata Motors introduced India’s first Sports Utility Vehicle in 1991 and, in 1998, the Tata Indica, India’s first fully indigenous passenger car. In 2008, Tata Motors unveiled its people’s car Tata Nano. The Tata Nano has been subsequently launched, as planned, in India in March 2009, and subsequently in 2011 in Nepal and Sri Lanka. A development, which signifies a first for the global automobile industry, the Nano brings the joy of a car within the reach of thousands of families.

Tata Motors is equally paying attention on environment friendly technologies in emissions and alternative fuels. It has developed hybrid and electric vehicles both for personal use and public transportation. It has also been implement several environment-friendly technologies in manufacturing processes, significantly enhancing resource conservation. Through its subsidiaries, Tata motors engaged in engineering and automotive solutions, automotive vehicle components manufacturing and supply chain activities, vehicle financing, machine tools and factory automation solutions.

Tata Motors is committed to improving the quality of life of communities by working on four thrust areas namely employability, education, health and environment. The activities touch the lives of more than a million citizens. The company’s support on education and employability is focused on youth and women. They range from schools to technical education institutes to actual facilitation of income generation. In health, the company’s intervention is in both preventive and curative health care. The goal of environment protection is achieved through tree plantation, conserving water and creating new water bodies and, last but not the least, by introducing appropriate technologies in vehicles and operations for constantly enhancing environment care. With the foundation of its rich heritage, Tata Motors today is etching a refulgent future.

In the passenger car segment Tata Motors has a portfolio of brands like Nano, Bolt, Zest, Vista, Indica, Manza, Indigo, Safari, Safari Storm, Safari Dicor, Sumo, Sumo Gold, venture, Xenon XT, Aria. All of these brands have a good ownership on the Indian roads.
1.6.3.3 Hyundai Motors India Ltd.

Hyundai Motor India Limited (HMIL) is a wholly owned subsidiary of Hyundai Motor Company (HMC). Hyundai Motor Company was incorporated in the year 1967 and in the year 1968 it stated its mass production of Cortina car. In the year 1988 Hyundai Motor Company launch Sonata, mid-sized luxury sedan.

Hyundai Motor Company’s brand direction Modern Premium is all about providing new values and experiences to even more customers through ways that are unique to the brand and which go beyond what customers expect. Hyundai’s brand slogan “New Thinking. New Possibilities” reflects the will of Hyundai Motor Company to move forward in its effort to create the ‘Modern Premium’ values and experiences through innovative thinking. The ‘live brilliant’ global campaign embodying the brand direction features moving stories about people’s life experiences shared with Hyundai cars. Hyundai Motor Company will continue to strive to make the brand the most trusted and loved by customers worldwide.

HMIL’s fully integrated state-of-the-art manufacturing plant near Chennai boasts advanced production, quality and testing capabilities. HMIL forms a critical part of HMC’s global export hub. It currently exports to around 85 countries across Africa, Middle East, Latin America, Australia and the Asia Pacific. HMIL has been India’s number one exporter for the last 10 years consecutively. To support its growth and expansion plans, HMIL currently has 407 dealers and more than 1,085 service points across India. In its commitment to provide customers with cutting-edge global technology, HMIL has a modern multi-million dollar R&D facility in Hyderabad. The R&D center endeavors to be a center of excellence in automobile engineering.

Hyundai Motor India Ltd (HMIL) is the country’s largest passenger car exporter. HMIL began exporting cars in 1999 when it shipped a batch of 20 Santro to Nepal and it reached the first milestone of exporting 100,000 cars in four years and ten months in October, 2004. Since inception of Hyundai Motors in India, It has become the leading exporter of passenger cars with a market share of 48% of the total exports of passenger cars from India, making it a significant contributor to the Indian Automobile Industry.