Chapter 10
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Category 7: Strategy Based Budgeting and building Infrastructure for Competitive Edge

10.1 Introduction:

Situational constraints hamper effective performance as has been discussed in literature review. Also, balanced scorecard literature also brings out the need for strategy based funding. Situational constraints relate to equipment, funds as well as requisite infrastructure to achieve the job objectives. At HPCL the issues were addressed as seen from the analysis of interviews by constant comparison and theoretical sampling.

10.2 Constant comparison of concepts and Interview coding:

Shri Rajesh Jain in his role as Senior Manager Balanced Scorecard in HPCL for several years was involved in creation of Strategy maps, balanced scorecards for SBU's, Regional Offices and Refinery Teams and Functions namely Human Resources, Information Systems and Finance. He is a chartered account and worked with finance department for more than a decade. He is presently Chief Manager. In his interview brought out an important aspect. Relevant excerpt from the interview is as under:

‘Balanced Scorecard Department helped HPCL & our SBUs to identify and work systematically on Strategic initiatives to achieve long term improvements & superior results. Each strategic initiative was identified with an initiative owner and also a time frame was given to complete the initiative with a budget…’

The Atlas.ti diagram is shown below based on coding of above excerpt:
J Ramaswamy Executive Director – Finance was interviewed and his interview excerpt is as follows:

‘So let me read this, this is something that is an hypothesis whether you see that HPCL, whether the kind of infrastructure increase that we have had is dozens of times of what we have done earlier, in the last few years, dozens and dozens of times. Investments are another parameter; we used to invest in every region something like 80 lakhs-90 lakhs in the earlier days for the retail outlets. After this we went upto 25 crores, 30 crores, 40 crores; … I mean it’s very different. In 1999, I was in a region the whole budget for the region was about 10 lakhs. Today after that it went up to 25- 30 crores and the number of regional offices has multiplied by two, because if the number of region offices earlier was X it became 2X. And instead of 1 regional office getting 10 lakhs it started getting 25-30 crores. You can understand the difference.’

His Interview brought out large investments in infrastructure by HPCL Retail for every Region and the creation of new regions who also were allotted large amounts for infrastructure as per their strategic initiatives and objectives. Atlas.ti is used to map the codes that arise out of the above excerpt:

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Anil Pande Executive Director: Projects and Pipelines in his interview excerpt is quoted below: ‘after that there was ..Corporate plan… other SBU’s gave the presentation… spoke about the budget…top management was supportive ‘

Mr Anil Pande heads the SBU – Projects and Pipelines which is related to Infrastructure Building at HPCL. This interview corroborates to the earlier interview excerpts on strategy based investments by HPCL on Infrastructure
Mr M S Damle Executive Director Retail in his interview excerpt is quoted below:

‘I will have 9 Regional officers including 50 more sales officers the new have identified where we need to strengthen infrastructure, it goes 18-20 months, … budgets have been allocated and work has started, land has been acquired for additional infrastructure… all that process has started. We said that you must think not for just next 2-3 years requirement but for next 15 years… broaden their vision on even planning the things.’

The interview excerpt is quoted with the help of Atlas.ti and the diagram is as under:

![Diagram](image)

**Figure: 10.3**

Mr. K V Rao ED at the time of interview in 2011 and now Director Finance has talked extensively on Strategy Based Funding and Infrastructure focus: Excerpts of his interview are as below:

“…As to how they would help the SBUs achieve their targets, i.e. their objectives over a period of time. … As far as I was concerned, I was asked specifically to give a plan for funding any SBU activity because ultimately the SBU has to make money. In order to achieve that, what are the other things they would need, apart from the other plans they have made? What are the financial resources they would require? The 1st meeting on August 12th, the individual SBUs presented in which they gave details … The SBUs were in August what they would do to reach there. Those details were given to me to see what sort of monies they require. Then we discussed those plans, and how much money each SBU would require. We
then discussed how the monies would be made available over a period of time, e.g. 5-6 years. The alignment in a way started from there. There was a meeting where the CFD (Committee of Functional Directors) and SBU heads were there. In the 2nd meeting as well, all the SBU heads were there, along with the concerned heads of departments. Almost all the functions, departments were there...

You can see the number of outlets that are getting commissioned. If you see the way in which the concerned SBUs perform these days with a view to achieving our target with the entire infrastructure that is made available to them, wherever we are number 3 we move up to number 2. Even in a finance meeting, the concerned GM talks about these numbers, wanting to move from number 3 to 2 to 1. This sort of philosophy is there right from the top...

In 2002, 2003, 2004, there were a lot of visioning exercises not only in the headquarters here, but the employees also participated in a big way in the regions. All the departments were included, even the service departments were there besides the operating department and the sales department. They knew what the corporation should do. In that context what happened was that several things emerged. Then about a year later, employees of all the refineries and zones met up in the Hyatt at Mumbai ... so that a plan could be drawn. Various suggestions emerged as to how to take this corporation forward and about what should be the basic vision of this corporation. Several of the suggestions have been implemented. Unless you have an objective, you cannot go anywhere.

Strategies are always holistic. Several zones and regional offices were created to have focus. In the beginning, this company did not have more than 18-20 ROs. Pune was the biggest RO. No if you see, we have several ROs: 55-60 retail, 20 direct sales, another 20 LPG. These are basically to create focus. Some structural changes were there in line with the vision.'

This Interview is coded and as ED –Corporate finance, for many years his primary focus and responsibility was to allocate and release budgets and arrange money from banks, etc. to make that possible as noted from his talks to researcher. Presently he has assumed the charge of Director Finance based on the selection by the Government of India.

His interview is coded and the causal relationships as grounded in his interview with the grounded codes and concepts are mapped and depicted in the next page.
Figure 10.4

A look at HPCL website also validates this. On the increase of no of outlets for HPCL in the last decade (on a base which was established in 1952 as Standard Vacuum till 2004-05) to 2011-12 the figures collected from the company web-site is evidence of massive investments on network expansion alone. Retail people confirmed for the last ten years HPCL has been recording highest percentage growth on network expansion. Other infrastructure like depot and terminal capacities, pipelines also have grown to feed the network expansion.

10.3 Building the category with concepts of properties, strategies and consequences

The Interviews and concepts as they emerge from the several interviews and records is plotted with the help of Atlas.ti and shown in the next page.
From the above diagrams and interviews the Category of Strategic Funding for building competitive edge is established and plotted in Atlas.ti as under:

Figure: 10.5
10.4 Theoretical Contribution: The theory arrived here talks of strategy Based funding and building Infrastructure for competitive edge. There is no literature support on strategy based funding from objectives of a co-created vision and co-created strategy involving more than 5000 employees in any Indian Public Sector Oil Company. This is addition to existing theory.