CHAPTER EIGHT

ANALYSES AND INTERPRETATION

8.1 Bajaj Auto Ltd

8.2 Escorts Ltd

8.3 Premier Automobiles Ltd

8.4 Tata Engineering & Locomotive Co.

8.5 Consolidated Results and Concluding Comments
ANALYSES AND INTERPRETATION

In the previous four chapters, profile of four companies—Bajaj Auto Ltd, Escorts Ltd, Premier Automobiles Ltd, and the Tata Engineering and Locomotive Co.—have been presented. Earlier, in Chapter One, the researcher has discussed the major liberalisation measures, the impact of which on the business policies of these companies is the theme of the present study. In the present Chapter, company-wise analyses is being presented. Later, Section 8.5 consolidates the results and findings on the basis of the company analysis.

Prior to proceeding for analyses, it is pertinent to mention again that the liberalisation measures, selected for the purposes of the study, are only the major ones relating to the industrial sector. There are, in fact, many other supporting measures that have been excluded from the purview of this study as it is not methodologically feasible to include, and study, all the liberalisation measures.

It must also be mentioned that the liberalisation measures included in this research study are in no way the only factors that affect the performance and policies of companies. A host of other environmental factors (social, legal, political, cultural, etc.) and operating factors (customers, suppliers, potential entrants, etc.) may be acting in isolation— or in concert with other factors—
and affecting the policies of the companies. In short, there exists several imponderables in the business environment, the study of which is not feasible in a single research study.

8.1 BAJAJ AUTO LTD

In the pre-liberalisation period, Bajaj Auto Ltd (BAL) was virtually a monopoly in the market. The reputation enjoyed by it, and the premium commanded by its products, were reasons enough for the company's success. Even the limited growth of BAL made it a colossus in the duopolistic scooter segment which in turn led to the multiplication of its managerial hierarchies. However, due to increased competition posed by newer entrants as a result of removal of procedural impediments for obtaining industrial approvals and foreign collaborations, and need for quick action to meet the challenges of the market place, the company restructured some of its divisions in the post-liberalisation period. In order to cut down time-lag for responding to market requirements, BAL also slashed the decision hierarchy. For quick implementation of decision at the shopfloor, the number of levels through which it is processed is also being reduced.

Despite its willingness, the company could not expand in the pre-liberalisation period as MRTP companies were highly regulated by the Government. However, making use of the Government's policy towards expansion in the post-
liberalisation period, BAL expanded its production capacity. Government’s policies of capacity re-endorsement and prescribing of minimum economic capacity led to expansion of BAL’s installed capacity. The liberalised policy towards industrial approvals, and incentives provided to units located in centrally notified backward areas, prompted the company to set up a new plant at Waluj -- a backward area near Aurangabad -- with a licensed capacity of 3 lakh vehicles per annum in 1985.

Freed from the regulation of ‘substantial expansion’, the company increased its licensed capacity at Waluj plant to 10 lakh vehicles in 1986-87. When the Government relaxed the restriction for new entrants, BAL entered into the manufacturing of motorcycles with an installed capacity of 2,00,000 vehicles per annum -- the minimum economic capacity specified for two-wheelers by the Government. Although the company had an installed capacity of 30,000 three-wheelers, on receiving broad banding endorsement BAL set up a separate three-wheeler manufacturing division at Waluj in 1987 to produce 50,000 three-wheelers within the overall licensed capacity. As a corollary to the adoption of expansion grand strategy, the company recorded phenomenal rate of growth in the post-liberalisation period to become the third largest two-wheeler manufacturer in the world.

The expansion of the company is also guided by BAL’s philosophy to grow and expand, and its chief executive’s
belief that the future success of the company rested on economies of scale. Besides, timely and adequate response to changing Government policies has ensured the dominant position of the company in the market place despite severe competition. In fact, its share of the two-wheeler market has grown from 30 per cent to 43 per cent in the post-liberalisation period.

After the relaxation in foreign technology and collaboration policy of the Government, the company entered into technical assistance agreement with overseas companies for the manufacture of motorcycles, machine tools for captive consumption, and product upgradation in order to gain competitive advantage in the market place. Increase in competition in the market place in the post-liberalisation period prompted the company to broaden its customer-base by setting up a subsidiary in 1987 for financing the purchase of its two-wheelers.

Related expansion due to changing business environment led to increased capital acquisition in the post-liberalisation period. The company augmented its working capital requirements through capital market while new projects were financed by loans. Improved performance, as a result of adopting the right strategic tool at the right time, saw the company cross sales figure of Rs 1000 crore in 1990, and increased profitability. Financial planning is a major strength of the company.
Exhibit 8.1: Change in Policy Variables: Bajaj Auto Ltd

<table>
<thead>
<tr>
<th>BUSINESS POLICY VARIABLES</th>
<th>PRE-LIBERALISATION PERIOD</th>
<th>POST-LIBERALISATION PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORGANISATION STRUCTURE AND MANAGEMENT</td>
<td>Managerial hierarchies multiplied. Shopfloor implementation of decisions processed through four levels of management.</td>
<td>Managerial hierarchy slashed from 11 to 6. Shopfloor implementation of decisions to be processed through one or two levels of management. Restructured some of the divisions.</td>
</tr>
<tr>
<td>SIZE AND GROWTH</td>
<td>Capacity doubled to 1.6 lakh vehicles from 80,000 in ’79-80. Three-wheeler capacity raised to 20,000 from 15,000. Later increased to 30,000. Reasonable growth in production.</td>
<td>New plant with capacity of 3 lakh vehicles set up in ’85. Licensed capacity expanded to 10 lakh vehicles in ’86-87. Three-wheeler capacity increased to 50,000. Installed capacity for 2 lakh motorcycles. Phenomenal growth between ’85-90.</td>
</tr>
<tr>
<td>CAPITAL ACQUISITION AND FINANCE</td>
<td>Moderate requirement of working capital. Moderate turnover and good profitability.</td>
<td>Working capital requirements increased. Resorted to loans and offered NCDs. Invested in units of UTI for constant yield. Turnover crossed Rs 1000 crore mark in ’90. Paid record dividend of 110%. Net profit increased.</td>
</tr>
</tbody>
</table>
valued about Rs 3 crore in '84 for Middle East & South Asia. Dealers increased to 300, market share down to 64%.

**PRODUCTION AND OPERATIONS POLICIES**


**MANAGEMENT OF HUMAN RESOURCES**

Encouragement to professionalism. Normal recruitment policy.


Source: Company Profile of Bajaj Auto Ltd (Chapter Four).
In response to the scheme of broad banding, and changing customer preferences, the company launched five models of two-wheelers in the post-liberalisation period. It has further planned to widen its range of products to maintain leadership in every segment and consolidate its position. Although the company has priced its product reasonably due to advantageous scales of operations yet its chief executive lays emphasis on reducing the cost of production. In the post-liberalisation period, the company has increased its promotional expenditure due to pressure from competitors. The number of dealers, service centres, and spare parts dealers has increased in the past few years. BAL now emphasises on appointing dealers who can compete in the market. The company is adopting modernisation strategies to consolidate its position in the overseas market. The company's chief executive plans to 'reinvent' BAL towards this objective.

BAL has adopted technology as a strategic tool. For achieving manufacturing efficiency, it has implemented modernisation strategies. To meet the changing market demands in the post-liberalisation period, and to reduce lead time for introducing new models, the company is making effort for rapid readjustment of manufacturing capacity. In the face of increasing competition, due to Government's liberalisation policies, emphasis on quality and productivity has increased. To become truly internationally competitive, the company is upgrading its product through
its own R & D. BAL has increased its expenditure on R & D in the post-liberalisation period.

With the advent of competition in the automobile industry, the company's recruitment policy has undergone a change and there is more emphasis on in-house training. More emphasis is laid on team-work, irrespective of functional specialisation, for increasing productivity and quality. BAL has also implemented Suggestion Scheme for reducing expenditure. However, when recession seeped into automobile industry, the company reduced staff strength in its Quality Department.

8.2 ESCORTS LTD

Escorts Ltd (referred to as only Escorts hereafter), since its inception, has followed the path of growth and expansion through conglomerate diversification. Spreading over of resources, attention and risks led to lack of concentration on its mainstay operations in motorcycles in the pre-liberalisation period. With increase in competition due to Government's liberalised policies with regard to industrial approvals and foreign collaborations, the company started losing its market share. In order to regain its position in the market, the company is following combination grand strategy through stability, expansion and retrenchment. Threatened by the challenges of the new business environment, Escorts has planned to become a lean organisation. Restructuring of Escorts is part of the company's long-term group planning which it has started recently.
Exhibit 8.2: Emerging Business Policy Directions at Bajaj Auto Ltd

ORGANISATION STRUCTURE AND MANAGEMENT
Levels of management reduced; change in implementation of decisions at shopfloor; undergoing organisational restructuring; some divisions restructured.

SIZE AND GROWTH
New plant; licensed and installed capacity increased; expansion; grew enormously; share in two-wheeler market increased.

CAPITAL ACQUISITION AND FINANCE
Increase in capital acquisition; turnover and net profits increased; paid record dividend; improved financial planning.

MARKETING POLICIES
New product; entered new two-wheeler segments; extensive and intensive promotional strategies; increase in product promotion expenditure; new subsidiary; dealership increased; decrease in scooter share; increase in two and three-wheelers share; exports on the rise.

PRODUCTION AND OPERATIONS POLICIES
Efficient manufacturing process; increased productivity; backward integration; quality-consciousness; team work; increased automation; emphasis on cost reduction; product upgradation and development; less import dependent; optimising on input cost; increased R & D.

MANAGEMENT OF HUMAN RESOURCES
Recruitment policy changed; emphasis on in-house training; some retrenchment; employee involvement; introduced Suggestion Scheme.
As a result of Government's policy towards minimum economic capacity and expansion in the post-liberalisation period, Escorts increased its licensed and installed capacity for manufacture of motorcycles. However, major capacity expansion was primarily in the pre-liberalisation period. The reason why Escorts could not expand in a big way in the post-liberalisation period is the process of liberalisation itself. The liberalised policy towards industrial approvals, and the scheme of broad banding, was utilised to their advantage by other new entrants and existing players in the shortest possible time. On the other hand, the strategic response of Escorts was either marked by pre-mature assessment of impending customer preferences and requirements, or by considerable time-lag. The company introduced a 350 cc motorcycle in 1983, manufactured with Japanese collaboration, when customers were relying on indigenous sturdy vehicles. The product did not suit the requirements of end users as it had poor fuel-efficiency. Later, when there was a perceptible shift in customers' preferences for fuel-efficient and stylish vehicles, Escorts took long to upgrade its 100 cc motorcycle.

The growth of the company was mainly in the pre-liberalisation period during which it availed of every business opportunity. Escorts witnessed deceleration in growth in immediate years preceding and succeeding the year
1985, when industrial liberalisation was initiated. Though causes for slow growth have been many, the most important was the bid for a hostile takeover of the company in 1983. However, during the same period the company planned for horizontal and vertical integration for its existing businesses. Related diversification due to broad banding of capacity in 1985, nevertheless, increased its volume of production of motorcycles.

Prior to the relaxation in foreign technology and collaboration policy of the Government, Escorts entered into a technical collaboration agreement with Yamaha Motor Co. of Japan. As no foreign collaborations were permitted in the automotive sector at that time, the company had availed the facility of Technology Development Fund of the Government. After the announcement of liberalisation measures, the company integrated this technology in the diversification and expansion of motorcycle operations. The company began commercial production of 100 cc motorcycles in the post-liberalisation period. To broaden its customer base, and to meet the challenges posed by competitors in the post-liberalisation period, Escorts established a financial service subsidiary in 1990. Later, owing to the same reasons, it renewed its agreement with Yamaha Motor Co. in 1992 for expanding its product range.
### Exhibit 8.3: Change in Policy Variables: Escorts Ltd

<table>
<thead>
<tr>
<th>BUSINESS POLICY VARIABLES</th>
<th>PRE-LIBERALISATION PERIOD</th>
<th>POST-LIBERALISATION PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SIZE AND GROWTH</strong></td>
<td>Growth and expansion through conglomerate diversification. Major capacity expansion and growth. Deceleration in growth. Established a new plant in '84.</td>
<td>Licensed capacity increased to more than 6.5 lakh vehicles. Horizontal and Vertical integration planned. Related diversification increased production.</td>
</tr>
<tr>
<td><strong>CAPITAL ACQUISITION AND FINANCE</strong></td>
<td>Increased requirement of capital. Moderate turnover and good profitability. Vastly undercapitalised.</td>
<td>Increased working and normal capital expenditure requirements. Raised capital through rights CDs/NCDs. Turnover increased but profits declined. Financially, not operating at optimal levels. Vastly undercapitalised.</td>
</tr>
<tr>
<td><strong>MARKETING POLICIES</strong></td>
<td>Introduced 350 cc motorcycle besides existing products. Reasonable pricing. Less emphasis on product promotion. Vast dealer network Market share 47%. Ancillaryisation part of growth strategy. Exports worth Rs 2 crore to mainly</td>
<td>Ceased 350 cc production. Introduced 100 cc in '86. Launched another motorcycle in '87. Plans to launch 125 cc motorcycle and a moped. Prices increased. Aggressive marketing strategy. Increase in promotional expenditure. Established financial subsidiary. Decline in</td>
</tr>
</tbody>
</table>
South Asia and Africa. Market share to 27%. Dealership network strengthened. Substantial increase in exports since '90.

**PRODUCTION AND OPERATIONS POLICIES**


**MANAGEMENT OF HUMAN RESOURCES**


Source: Company Profile of Escorts Ltd (Chapter Five).
Expansion, modernisation and diversification by the company has led to increase in its capital requirements in the post-liberalisation period. Mostly, the company has raised its working capital and normal capital expenditure requirements through the capital market. Although the turnover of the company has increased, profit after tax has declined. Besides other reasons, implementation of new projects with long lead times have depressed profits. As the Indian private corporate sector environment is becoming competitive and hostile in the liberalised industrial regime due to relaxation of MRTP Act, Escorts is vulnerable to takeovers as it is a vastly undercapitalised company.

The manufacture of 350 cc motorcycle -- a product launched in the pre-liberalisation period, had to be stopped in the post-liberalisation period. The company launched its 100 cc motorcycle in 1986 as a result of broad banding policy of the Government. Escorts is planning to broaden its product base by launching a 125 cc motorcycle and a 50 cc moped, both with the help of foreign collaborators. Though the company prices its products reasonably, the price of its 100 cc motorcycles increased due to imported inputs and devaluation of rupee. At times, the company finds it difficult to raise price due to a competitive market. In the pre-liberalisation period, Escorts' 175 cc motorcycle was India's largest selling motorcycle due to which emphasis on product promotion was not much. However, with the entry of
new players in the motorcycle segment in the post-liberalisation period led to adoption of an aggressive marketing strategy by Escorts. The company’s dealer network has evolved over years which helped keep Escorts ahead of its competitors in the area of distribution. Market share of the company has declined considerably in the post-liberalisation period. Escorts' exports grew substantially after 1990.

In the pre-liberalisation period, the company made a conscious decision of not inducting latest technology. However, the liberalisation of industrial sector in 1985 and the resultant competition changed the company’s priorities. It is now inducting newer technology and increasing automation to improve quality and productivity. Escorts has also undertaken product improvements in existing areas of production. It is also planning for backward integration by establishing casting and forging facilities. There is more emphasis on cost-reduction. Plant modernisation has been undertaken to reduce manufacturing cost. The company increased its R & D activities in the post-liberalisation period with an eye on the future, and has trained its R & D personnel abroad.

Due to increased competition in the post-liberalisation period, the company is trying to retrench unnecessary manpower by introducing automation and computerisation. A 'golden handshake' scheme is being offered to affected
workers. To curtail costs, fresh induction has been frozen for the last five years. Workers are being trained to make them versatile. To rationalise operations, the company retrenched ten senior executives in the post-liberalisation period.

8.3 PREMIER AUTOMOBILES LTD

As one of the earliest company in the business, Premier Automobiles Ltd (PAL) heralded the establishment and eventual growth of automobile industry in India. In the pre-liberalisation period, passenger cars produced by PAL used to command high premium. However, the company had to face competition even before the liberalisation policies were announced as Maruti Udyog Ltd (MUL) entered the passenger car segment in 1983 and secured 17 per cent of the car market by 1984-85. Nevertheless, real competition in the car segment arrived only after January 1985 when Government relaxed procedures for expansion, industrial approvals, and foreign collaborations.

In the pre-liberalisation period, and during a major part of the post-liberalisation period, the company followed a traditional style of management. However, increasing competition in the passenger car segment and changing customer preferences resulted in all round decline in the company's performance. Coupled with these, and other such factors, the recession in the automobile industry threatened the very survival of the company.
Exhibit 8.4: Emerging Business Policy Directions at Escorts Ltd

ORGANISATION STRUCTURE AND MANAGEMENT
Becoming lean organisation; redefining operations; adopting combination grand strategy; emphasis on rationalisation of business interests; consolidation as automobile company; leveraging subsidiaries; formulating growth plans for each subsidiary; restructuring as part of long-term group planning.

SIZE AND GROWTH
Licensed and installed capacity increased; horizontal and vertical integration; related diversification; growth in production.

CAPITAL ACQUISITION AND FINANCE
Increase in capital requirements; turnover increased; profits declined; not operating at optimal levels; vastly undercapitalised.

MARKETING POLICIES
New products, widening product base; aggressive marketing strategy; increase in product promotion expenditure; shift in brand positioning; new subsidiary; restrengthening dealership network; decline in market share; reliance on ancillaries; rise in exports.

PRODUCTION AND OPERATIONS POLICIES
Less labour-intensive; induction of new technology; increased automation and computerisation; emphasis on quality and productivity; product and technology improvements; upgradation of manufacturing facilities; vertical integration; emphasis on cost-reduction; product development and innovation; plant modernisation; emphasis on R & D.

MANAGEMENT OF HUMAN RESOURCES
Reducing manpower; offering golden handshake; freeze on new induction; emphasis on team-work; increased in-house training and development; retrenched senior executives.
In order to regain its pre-eminent position in the market, PAL changed its management style recently and moved towards a decentralised system of operations. The company now places emphasis on faster decision making by delegating responsibilities. From a pyramidal management structure, PAL now has a flattened structure. By implementing a massive restructuring plan, the company is becoming a lean organisation.

Consequent to the Government's liberalised policy towards size of an enterprise and granting of permission for expansion, the company increased its licensed capacity from 28,600 to 50,000 vehicles per annum. The liberalisation policy of the Government helped the company in installing capacity in excess of licence granted for. PAL made use of Government's policy of capacity reendorsement and the scheme of broad banding. By way of a composite licence for four-wheelers and 25 per cent automatic enhancement of capacity, the company has a licence for 62,500 cars per year. Thus, PAL has benefitted from Government policies in the post-liberalisation period.

The growth of the company was mainly in the pre-liberalisation period as it used to operate in a duopolistic market which was always starved of product preferences. As the company could not quickly respond to the entry of MUL in the market and the subsequent policies of liberalisation, PAL witnessed deceleration in growth in the years
immediately following liberalisation. However, the company made good progress in growth after 1986-87 and increased its production to almost 43,000 cars in 1990-91. Overall, during the eighties, PAL recorded a sales growth of 836 per cent. Related diversification and enhancement of product-mix were other reasons for the growth of the company.

With relaxation in foreign technology and collaboration policies in 1985, PAL entered into collaboration agreements with well-known overseas companies for upgradation of its existing product as well as for technology-related concentric diversification. More recently, the company signed a memorandum of understanding with Peugeot Motor Co. of France in order to introduce newer products to meet the challenges of the new business environment.

In the post-liberalisation period, PAL undertook expansion and modernisation programmes which increased its working capital and normal capital expenditure. Increased capital acquisition resulted in issuance of non-convertible debentures. Turnover of the company increased considerably in the post-liberalisation period due to the expansion strategies followed by it. However, despite improved performance in terms of turnover, profits of the company stagnated in the post-liberalisation period due to increased competition from MUL and other market-related factors. The company, however, continued to pay dividends.
## Exhibit 8.5: Change in Policy Variables: Premier Automobiles Ltd

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>SIZE AND GROWTH</td>
<td>Capacity increased to 28,600 from 18,000 in '83-84. Reasonable growth in production.</td>
<td>Capacity increased to 35,000 vehicles in '85-86. Later increased to 50,000 in '88-89. Installed capacity 54,500. Excellent growth in production since '86-87. Related diversification and widened product-mix.</td>
</tr>
<tr>
<td>CAPITAL ACQUISITION AND FINANCE</td>
<td>Moderate requirement of working capital. Major capital requirement met through capital market. Good turnover and profits.</td>
<td>Increased capital acquisition through NCDs in capital market. Excellent turnover but profits stagnated. Uninterrupted dividend payment.</td>
</tr>
</tbody>
</table>
PRODUCTION AND OPERATIONS POLICIES

- Modest technology by contemporary standards.

MANAGEMENT OF HUMAN RESOURCES

- Encouragement to professionalism. Bloated employee strength.
- High wage costs. Disturbed industrial relations. Productivity-linked incentives. Payments to workers for over-time.

Exports. Emphasis on segmentation.


Source: Company Profile of Premier Automobiles Ltd (Chapter Six).
The threats posed by the competitors, and the opportunities provided by the liberalised regime, brought forth the strengths and weaknesses of PAL. As a result, the company re-oriented its marketing strategies in the post-liberalisation period. PAL introduced a new model of car with higher engine capacity with higher-fuel efficiency. It also introduced a diesel version of its old car and improved its fuel-efficiency. To meet customer requirements, PAL introduced an economy model of its car. It is now planning to introduce a restyled car with improved aesthetics, to broaden its customer base. PAL is also restructuring its product-mix. The company has adopted retrenchment and modernisation strategies to further lower down the prices of its products. In the post-liberalisation period, PAL increased its product promotion expenditure and embarked on aggressive marketing strategies to contain its declining market share. The company also changed its product positioning strategy and is now planning to enter different segments of the car market including overseas market. As part of its cost-reduction strategy, PAL is increasing its dependence on component suppliers.

To counter the competitive challenge in the post-liberalisation period, PAL has adopted modernisation strategy. It has modernised plant and equipment, cut costs and overheads, and used underutilised manpower and plant as part of its production strategy. PAL has also adopted
retrenchment strategy and closed its loss-making foundry unit. The task of inventory management has also improved in the post-liberalisation period. PAL is giving more emphasis to indigenisation, technology absorption, value engineering, improved productivity and quality, and single point manufacturing. To become competitive, the company is upgrading its product through in-house R & D. PAL has increased its R & D expenditure in the post-liberalisation period.

Labour strength, and costs, of PAL increased in the post-liberalisation period. Therefore, to restrengthen its competitive advantage, the company reduced its employee strength by introducing a Voluntary Retirement Scheme. PAL also stopped over-time payments and productivity-linked incentives for workers. In the earlier part of the post-liberalisation period, the company reduced the wages of its workers. At present, fresh induction has been stopped in the company.

8.4 TATA ENGINEERING & LOCOMOTIVE CO.

The Tata Engineering & Locomotive Co. (TELCO) has always been a forerunner in the private corporate sector. However, the liberal policies of the Government, initiated in 1985, have changed the business environment which has provided opportunities and challenges for TELCO. An integrated strategic business plan was drawn in pre-liberalisation period which was ignored by the Tata Group of Companies. The
Exhibit 8.6: Emerging Business Policy Directions at Premier Automobiles Ltd

ORGANISATION STRUCTURE AND MANAGEMENT
Change in management style; change in management structure; changing management culture; delegating authority and responsibility; restructuring organisation; becoming lean.

SIZE AND GROWTH
Increased licensed and installed capacity; related diversification; expansion; growth in production; establishing new companies; proposing a joint venture.

CAPITAL ACQUISITION AND FINANCE
Increase in capital acquisition and requirement; increasing turnover; stagnant profits; regular dividend payment; improving financial planning.

MARKETING POLICIES
New product; product variations; technology-related concentric diversification; restructuring product-mix; reducing price; aggressive marketing strategy; increased promotional expenditure; change in product positioning strategy, emphasis on segmentation; restrengthened dealership; increasing dependence on vendors; declining market share; emphasising on exports.

PRODUCTION AND OPERATIONS POLICIES
Plant modernisation; induction of new technology; emphasis on quality and productivity; emphasis on indigenisation and technology absorption; value engineering; improving inventory management; increasing automation; emphasis on single point manufacturing; flexibility in operations; closing loss-making units; farming out components; increasing in-house R & D; emphasis on design technology; optimising on inputs; improving worker productivity; product development and innovation.

MANAGEMENT OF HUMAN RESOURCES
Reducing workforce; re-introducing voluntary retirement scheme; freeze on new induction; moving towards succession planning; reducing wage costs; restructuring manpower.
emergence of a liberalised industrial regime, however, led to a change in strategic planning. Formally, Group planning was stopped. Instead, a strategic planning cell was set up in the post-liberalisation period. The Group is now planning consolidation after surveying areas of overlapping businesses. Such consolidation may lead to mergers within, or even without, the Group which will affect TELCO also.

The company increased its licensed capacity of commercial vehicles from 36,000 to 56,000 vehicles in the pre-liberalisation period. Consequent to Government's liberalisation policy, its licensed capacity increased to 78,000 vehicles per annum. TELCO established a new plant at Lucknow in the post-liberalisation period. However, the company has been following a strategy of volume expansion since its inception. Government's liberalised policy towards expansion and introduction of broad banding of capacity in 1985, resulted in excellent growth in production.

After liberalisation of foreign technology and collaboration policy of the Government, the company entered into technical agreement with foreign companies for improving the performance of its commercial vehicles' diesel engines, conversion to petrol engines and for manufacture of key inputs. TELCO took over an iron casting manufacturing company last year and converted it into a backward integrated division.
For use in its capital expenditure programme and working capital requirements, the company raised funds through convertible debentures in the post-liberalisation period. For its capital expenditure requirements, TELCO augmented its finance through capital market. Thus, there was an increase in capital acquisition in the post-liberalisation period on account of modernisation and expansion strategies followed by the company. TELCO's turnover increased phenomenally due to improved performance in the post-liberalisation period. Profits, too, showed an upward trend. However, the company is not innovative in its tax planning.

Although the company had introduced various models of medium and heavy commercial vehicles in the pre-liberalisation period, yet it had no presence in the light commercial vehicles segment. Making use of the broad banding policy of the Government and its own engineering strengths, the company entered the light commercial vehicle market in 1986. With Government refusing permission in 1986 to collaborate with an overseas manufacturer for production of passenger cars, the company launched two models of indigenously developed cars in 1991 and 1992. TELCO also developed different models of diesel commercial vehicles. The company is vertically integrated which helped in expanding its product range and market base. The company's products are reasonably priced, and price hikes were mostly due to extraneous factors.
Exhibit 8.7: Change in Policy Variables: TELCO

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>SIZE AND GROWTH</td>
<td>Increase in capacity from 36,000 to 56,000. Recorded 22.5% growth between '80-85. Adopted expansion strategy.</td>
<td>Increase in capacity. Established a new plant. Total capacity increased to 78,000. Related diversification increased production. Recorded 48.2% growth between '85-92. Following expansion strategy.</td>
</tr>
<tr>
<td>CAPITAL ACQUISITION AND FINANCE</td>
<td>Considerable requirement of working capital. Good turnover and net profits.</td>
<td>Increased capital acquisition through CDs and PCDs in capital market. Turnover increased phenomenally. Emerged as the largest private sector Company. Profits increased. Tax planning not innovative.</td>
</tr>
</tbody>
</table>
PRODUCTION AND OPERATIONS POLICIES


MANAGEMENT OF HUMAN RESOURCES


Source: Company Profile of TELCO (Chapter Seven).
In the pre-liberalisation period, TELCO downplayed marketing of its products and concentrated on sales. However, the liberalisation policy of the Government intensified competitive forces, especially in the LCV segment, which prompted TELCO to embark on an aggressive marketing and advertising campaign. The company's expenditure on product promotion increased in the post-liberalisation period. Although the HCV segment is a duopoly and TELCO has many advantages, yet it started promoting its product in south India, which is dominated by its competitor Ashok Leyland, to increase its market base. The company restrengthened its already widespread distribution network. TELCO's share in medium and heavy commercial vehicle market has remained stable in both pre- and post-liberalisation period. However, its market share in LCV segment has increased exponentially. Exports have been on the rise and effort to target newer markets is the part of the company's strategic corporate plan.

To achieve competitive advantage in a changed business environment, the company has embarked on a programme of product development. There is increasing emphasis on plant modernisation and value engineering. In order to maintain its competitive edge over its competitors, TELCO is laying emphasis on quality, reliability and appearance of vehicles. The production policies aim at designing newer and broader range of products to enable the company to be internationally competitive. In the post-liberalisation
period, TELCO has invested in modernisation and upgradation of manufacturing facilities. The materials department has been completely computerised. The company has laid emphasis on establishing flexibility of operations in order to meet changing market requirements. R & D activities of the company have increased in the post-liberalisation period as considerable emphasis is being given to improvement of present range of products. For the first time, an indigenous passenger car entirely developed in-house was introduced by the company in the post-liberalisation period.

The company assigns high priority to the training of its employees. In the post-liberalisation period, the company has initiated special training programmes in the areas of value engineering, total quality management and computer literacy. TELCO retrenched casual workers last year in order to reduce labour costs. The company fixed retirement age for its chief executive and top managers in the post-liberalisation period in order to introduce succession planning.
Exhibit 8.8: Emerging Business Policy Directions at TELCO

ORGANISATION STRUCTURE AND MANAGEMENT
Group planning stopped; moving towards consolidation; planning groupwise restructuring; following growth path of acquisitions and mergers.

SIZE AND GROWTH
Increase in licensed and installed capacity; vertical integration; strategy of volume expansion; growth in production.

CAPITAL AND ACQUISITION FINANCE
Increase in capital requirements; turnover increasing fast; increase in profits; emphasis on tax planning.

MARKETING POLICIES
Entered new segment; new products; widening product and market base; aggressive marketing; increasing promotional expenditure; shift to demographic product positioning; restrengthened dealership; increasing market share in LCV segment; efforts for increasing market share in other segments; emphasis on customer needs; pricing on basis of production efficiency; exports a part of growth strategy; targeting new export markets.

PRODUCTION AND OPERATIONS POLICIES
Product development; plant modernisation; value engineering for manufacturing cost reduction; thrust on quality improvements; aiming at newer and broader range of products; increasing investment in upgradation of manufacturing facilities; improving labour productivity; material optimisation; developing designing skills; flexibility of operations; increase in in-house R & D activities.

MANAGEMENT OF HUMAN RESOURCES
Increase in in-house training; covering new areas for training; corporate level programme for top executives; increasing investment in training; training dealers; retrenchment of casual workers; moving towards succession planning.

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8.5 CONSOLIDATED RESULTS AND CONCLUDING COMMENTS

The company-wise analyses in the previous four sections of this Chapter have amply demonstrated that there has been a qualitative change in the policy environment since January, 1985. The present study on Liberalisation and its Impact on Business Policies of Selected Private Sector Companies in India has come to the conclusion that companies were under discernible pressure to respond to changes effected by the Government in the past eight years. A consolidation of strategic behaviour and response of the selected companies in the post-liberalisation period (1985 and onwards) would support the above proposition.

The liberalisation policies of the Government perceptibly increased the interface and interaction of companies with business environment. Over the past eight years, the business environment has undergone considerable change. The pressure of intense competition, the accelerated rate of technological obsolescence, the nature of market, the fundamentals of management responsibility, and new approaches to planning and operating provided unparalleled opportunity and challenge to the companies.

1. A significant finding of this study is that businesses which earlier did not plan for their groups have started long-term group planning. And the ones which already had group planning process have now graduated to strategic planning. Moreover,
subsidiaries are increasingly being guided by the parent group or company. As a corollary to their consolidation strategies, unrelated diversified companies are rationalising their business interests while the vertically and / or horizontally integrated companies are moving towards concentric diversification. Responding to the attitudinal change in the Government and rapid change in business environment, companies under review moved away from traditional management style to the "adaptive" professional style of management. No longer do the bureaucratic multiple hierarchy and centralised system of operation exists. Instead, companies are either reducing managerial hierarchy or decentralising their system. The emphasis, and realised need, is on quick decision making which obviously has led to delegation of authority and responsibility. Restructuring of company or division or group is the latest trend in the private sector. The focus of all such restructuring exercises is consolidation in their respective business. It is also found that large size of organisation does not necessarily mean success. Therefore, the emphasis is on lean organisation.

2. The Governmental policies of minimum economic capacity, capacity re-endorsement and expansion (especially for MRTP companies) have led to a growth in capacity in the post-liberalisation period. The
obvious, and intended, impact has been the positive growth in production which was relatively higher than the pre-liberalisation period. Expansion of capacity and growth in production have meant sound business strategy for the companies as they always wanted to establish the internal capability which could enable them to respond adequately to the market demand. Volume expansion strategy was also adopted as there has been emergence of new markets -- locally as well as globally.

However, for Indian companies, growth has rarely come through a singular indigenous effort -- even in the pre-liberalisation period. Government's earlier regulatory regime was an obstacle in development of capabilities which could accelerate industrial growth on its own. As an obvious fallout, the growth strategy followed by companies in the post-liberalisation period was formulated with overseas help. All companies have signed a number of collaboration agreements with foreign companies for upgrading products in order to grow in the changing business environment. Relaxation / Abolition of procedural impediments in foreign technology and collaboration policies by the Government have helped considerably in this regard.

3. The growth path, and grand strategies, followed by companies have had a direct bearing on capital
acquisition and finance of the companies. Modernisation and growth plans devised to (re)strengthen their position in the market have led to increase in working capital and normal capital expenditure. Mostly, the companies have met their financial requirements through capital market, or loans from banks, financial institutions or other lending agencies. Here too, intense competition has had an impact on companies. Although companies have recorded modest to impressive turnover in the post-liberalisation period, profits have either stagnated or declined. Despite visible frequent increases in the price of products, companies could not pass the entire cost increases to the customers due to price competitiveness. Absorption of cost increases adversely affected the profitability of companies, though in varying degrees.

4. The mechanism of control and regulation in the pre-liberalisation period had ensured the scarcity of products, unofficial premia, high prices, limited market and a restricted product choices. As an obvious fallout, there was a lack of competition in Indian industry. Government’s policy of liberalisation, however, changed the characteristics of the market. The scheme of broad banding allowed the companies to widen the product-mix in order to ensure greater capacity utilisation and customer orientation. As a
result, companies introduced new models and different variants of their products to cope with changing customer preferences in the new business environment. Some companies also entered into new segments in order to include different customer groups. The emerging trend among the companies is to identify newer markets and segments, and get closer to them. As markets are emerging as conglomerates of niches, the companies are planning to focus their product(s) on niche markets.

In view of the increasing rivalry between the existing competitors, and threats of new substitutes and new entrants, companies are re-orienting their marketing-mix strategies. Due to the adoption of aggressive marketing strategies, and intensive and extensive product promotion strategies, expenditure on product promotion has increased in the post-liberalisation period. Contrary to the earlier emphasis on sales, companies are now concentrating on marketing. In the post-liberalisation period, product positioning strategies have also witnessed a change. In order to boost sales in a highly competitive market, the companies have set up financial subsidiaries for purchase of their products on instalments. The network of dealership has either been restrengthened or widened in the post-liberalisation period. Companies are placing emphasis on dealer training and
development, and are looking for financially sound result-oriented dealers.

The effect of the previous regulatory environment and the response to the liberalisation policies is well exemplified in the fluctuations of market share of companies. While some companies have increased their market share in respective categories, others have witnessed a decline in market share, though with varying degrees. Besides, there is also the case of maintaining leadership position but with considerable decline in market share. Such variations can be directly related to the reaction time taken to meet complex demands. Companies which have reacted quickly to the rapid environmental changes have had a decisive advantage over their competitors. In the post-liberalisation period, pricing of products has been a complex issue. Despite reluctance on the part of companies, extraneous factors led to price increases. However, there is a growing realisation that competitive pricing, and lower prices, would play a decisive role in future growth of the companies. Price consciousness also emanates from the companies' desire to explore and enter the growing overseas markets. As a result, companies are emphasising on production cost reduction.

5. There has been a paradigm shift in the production practices of the companies in the post-liberalisation
period. Obsolete technology has given way to new technologies. Companies are placing emphasis on product upgradation and development in order to satisfy the customers' demand. Efficient manufacturing processes, upgradation of manufacturing facilities, and plant modernisation are the new concerns of companies. Increased automation and computerisation have become a part of production strategy in the post-liberalisation period besides raising of capital and worker productivity.

The policies of liberalisation, and the changing requirements and preferences of customers, have led to the adoption of flexible manufacturing process. In order to satisfy the increasingly quality-conscious customers, the companies are emphasising on the concepts of TQM (Total Quality Management) and design technology. Other issues of strategic concerns are productivity, value engineering, indigenisation, material optimisation, restructuring of product-mix, single point manufacturing, cost reduction, and farming out of components manufacturing. The companies are also improving the system of inventory management. However, of much significance is the priority being accorded to R & D by the companies.

6. The change in business environment and intensification of market forces have affected the personnel
management in companies. The complex issue of human resource management in a dynamic but uncertain environment have led to the adoption of varying strategies by the companies. With current emphasis being on lean organisation and cost-reduction, some companies have retrenched casual workers while others have reduced the strength of employees by means of Voluntary Retirement Scheme or 'golden handshakes'. Most of the companies have changed their recruitment policies and have stopped fresh induction. At the same time, encouragement is being given to professionalism and professionals. In-house training and development has received impetus in the post-liberalisation period. In some cases, the emphasis is on team-work and employee involvement. In the post-liberalisation period, the emerging trend has been the move towards a well-defined succession planning by the companies.

The analyses of the present study, therefore, confirms the research propositions that---

(1) Liberalisation has had a varying impact on different policy variables.
(2) Liberalisation has had a varying impact on different private sector companies.
(3) Liberalisation has had an impact on business policies of private sector companies.

In conclusion, it can be said that a new trend in management has emerged in the process of liberalisation which shows the
sensitivity of enterprises to changes in public policy. Therefore, global changes will also have their implications for Governmental policy and organisational growth. The future growth of world economy, the globalisation of markets, rise and consolidation of economic blocs like EC (European Community) and NAFTA (North American Free Trade Agreement), etc. will sooner or later have their impact on Indian business. At home, the overall economic growth, economic and political stability, the rise in living standards, improvement in quality of life, availability and versatility of human resources, 'glocalisation' of Indian market and future social parameters will have their bearing on the performance of Indian companies.

The task of environmental scanning will assume much significance and the horizons for planning would much widen. The complex demands of the market would require fresh initiatives and fast reaction time. In such a situation traditional and predictable responses may not work. The concern for business would be action and not rhetoric. Organisations will have to be strategic in their functioning. On the other hand, management response will have to address the issues of technology, information system, organisational flexibility and global orientation. A close scanning of environmental changes and development of rapid response capability is likely to make the organisations successful.
Technology and R & D would be the decisive issues for the success of companies. The accelerated pace of technological obsolescence would not only require quick and strategic response but also techno-economic management. Companies will have to be flexible and adaptive in order to avail the impending opportunities or to ward-off the visible threats. Of course, the "ritualistic" behaviour of organisations will have to relearn the intricacies of business and reinvent themselves as companies.

Other issues that may take priority in future agenda of organisations include "demand" management, export performance, environmental issues, human resource management and business ethics. Customer satisfaction is already gaining importance among enterprises.

Therefore, perceptive organisations must change. A greater harmony of functional areas within the organisation would ease the task of meeting the emerging environmental demands. Moreover, Government and business will have to work together for increasing international competitiveness. Organisations which can use information and intuition for a vision of the future would have a decisive advantage in the coming years. Not taking business environment seriously would be self deception.

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