CHAPTER NINE

SUMMARISED FINDINGS AND CONCLUSIONS,
AND DIRECTIONS FOR FUTURE RESEARCH

9.1 Bajaj Auto Ltd
9.2 Escorts Ltd

9.3 Premier Automobiles Ltd
9.4 Tata Engineering & Locomotive Co.
9.5 Conclusions
9.6 Directions for Future Research
SUMMARISED FINDINGS AND CONCLUSIONS, AND DIRECTIONS FOR FUTURE RESEARCH

Based on the conceptual framework of the study, and keeping in view the scope, the analyses and interpretation have been directed towards qualitatively evaluating the impact of liberalisation on the business policies of four selected private sector companies. The analyses made in the preceding chapter supports the general propositions of the study. This chapter presents the summarised findings and conclusions, and attempts to provide some directions for future research in the area.

9.1 BAJAJ AUTO LTD

The summarised findings relating to Bajaj Auto Ltd (BAL) are as follows:

1. BAL restructured some of its divisions in the post-liberalisation period in order to take quick action to meet the challenges of competitive market. The company also slashed the decision hierarchy so as to reduce the time-lag for responding to the market requirements. The increased competition posed by the new companies due to the removal of procedural impediments for industrial approvals and foreign collaborations necessitated these changes.

2. As a result of removal of controls for expansion, especially for MRTP companies like BAL, the company expanded its production capacity. Government’s policies of capacity re-endorsement and prescribing of a minimum
economic capacity helped the company in expanding its
ingested capacity. Utilising the incentives provided to
units located in centrally notified backward areas, BAL
set up a new plant in the post-liberalisation period. On
receiving broad banding endorsement, the company set up a
separate three-wheeler manufacturing division in 1987.
All these strategies to Governmental policy changes led
to a phenomenal growth of the company in the post-
liberalisation period.

3. The expansion strategy followed by the company, due to
the changed business environment, increased the capital
requirements of BAL. The company augmented its capital
acquisition through loans and capital market. BAL's
phenomenal growth led to a positive effect on its
finances as the turnover and profitability of the company
increased in the post-liberalisation period. This later
helped BAL in absorbing price increases of its product
and remain competitive in the market.

4. The scheme of broad banding, and changing customer
preferences, prompted the company to introduce five
models of two-wheelers in the post-liberalisation period.
The relaxation in foreign technology and collaboration
policies was strategically used by BAL as it entered into
the motorcycle segment through overseas collaboration.
The increase in production volume as a result of various
liberalisation measures has been helpful for the company
in achieving economies of scale and maintaining reasonable pricing of its products. The intensified competition in the liberalised environment increased the promotional expenditure of BAL and adoption of aggressive marketing strategies. The company also restrengthened and increased its dealership network. As a result of increased production and widening product range, market share of BAL in the two-wheeler segment increased in the post-liberalisation period.

5. In order to meet the changing market demand and achieve manufacturing efficiency, BAL implemented modernisation strategies more effectively in the post-liberalisation period. Intense competition due to liberalisation policy of the Government have emphasised on quality and productivity of firms. Therefore, BAL is upgrading its products through in-house R & D. The company is making efforts for rapid readjustment of manufacturing capacity. BAL has also increased its R & D expenditure and has resorted to manufacturing cost reduction in order to be competitive in the post-liberalisation period.

6. The company has changed its recruitment policy with the advent of competition in the market place. It now emphasises on in-house training. BAL has also laid emphasis on team work for increasing productivity and quality.
9.2 **ESCORTS LTD**

The findings related to Escorts Ltd are summarised below:

1. The entry of new competitors due to liberalised policies of the Government with respect to industrial approvals and foreign collaborations eroded the dominant position of Escorts in the market. To regain its position, the company is following combination grand strategy through stability, expansion and retrenchment. It has also adopted the policy of becoming a lean organisation and started group planning to meet the challenges of the new business environment.

2. In response to the Government's policies of minimum economic capacity and relaxation on expansion, the company increased its licensed and installed capacity in the post-liberalisation period. Escorts did not expand in a big way in the post-liberalisation period as it responded late to the policy changes compared to its competitors. Although related diversification due to the broad banding of capacity increased Escorts' volume of production, growth in the post-liberalisation period was relatively moderate. One of the reason for less than expected growth was the bid for a hostile takeover in 1983 which consumed most of the managerial attention in the succeeding years.

3. Expansion, modernisation and diversification by Escorts has increased its capital requirements in the post-liberalisation period. Mostly the finances required have
been raised through the capital market. However, net profits of the company has declined despite the increase in turnover in the post-liberalisation period. Absorption of manufacturing cost increases and implementation of new projects with long lead times are some of the reasons for decline in net profits. In view of the relaxation in MRTP Act, Escorts has become more vulnerable to takeovers for being a vastly undercapitalised company.

4. The policy of broad banding helped the company in stopping the manufacture of a loss-making product and introducing a new product in 1986. Prices of vehicles could not be checked due to the imported inputs required by the company and devaluation of rupee. At times, the competitive market has forced Escorts in absorbing price increases. The promotional expenditure of the company increased in the post-liberalisation period due to increased competition in the market. The company adopted an aggressive marketing strategy after the entry of new players due to Government's liberalisation policy. Although the dealer network was restrengthened in the post-liberalisation period, market share of the company declined considerably. However, exports grew substantially in the post-liberalisation period.

5. The liberalised policy, and the resultant competition, led to the adoption of newer production technology and increased automation to improve quality and productivity.
In order to be price competitive in the market, the company now places greater emphasis on manufacturing cost reduction. The company has increased its R & D expenditure in the post-liberalisation period.

6. Escorts is pruning its manpower strength by introducing automation and computerisation in the post-liberalisation period in order to be competitive in the changed market. To curtail costs, a golden handshake is being offered to affected workers and fresh induction has been stopped. In order to increase productivity, workers are being trained to develop a wider range of skills.

9.3 PREMIER AUTOMOBILES LTD

Following are the summarised findings relating to Premier Automobiles Ltd (PAL):

1. Increasing competition and changing consumer preferences resulted in all round decline in PAL’s performance. In order to regain its pre-eminent position, the company changed its style of management and adopted a decentralised system of operations. PAL now places emphasis on faster decision making by delegating responsibility in order to respond quickly to market requirements. The company’s management structure, too, has flattened and it is trying to become a leaner organisation to face the challenges of competition.

2. Government’s liberalisation policy with regard to size
and expansion helped the company in increasing its licensed capacity. By making use of the policies of capacity re-endorsement and broad banding, PAL has installed more than the licensed capacity. The policies of liberalisation, however, resulted in decelerated growth for the company as new entrants made the market competitive. Related diversification and broadening of product-mix nevertheless increased the volume of production in the post-liberalisation period.

3. Expansion and modernisation programme undertaken by the company in the post-liberalisation period increased its capital requirements. Turnover, too, increased considerably due to the expansion strategies followed by PAL in the post-liberalisation period. However, market related factors and increased competition stagnated the profits of the company in the post-liberalisation period.

4. PAL re-oriented its marketing strategy due to the threats posed by its competitors in the post-liberalisation period. A new model and variants of existing products with higher fuel efficiency were launched to counter the challenges of the market. The company has adopted modernisation and retrenchment strategies in order to competitively price its vehicles. PAL adopted an aggressive marketing strategy and increased its promotional expenditure in the post-liberalisation period to contain its declining market.
share. The company has become more dependent on component suppliers in the post-liberalisation period.

5. PAL has adopted modernisation strategy to become competitive in the new business environment. To cut down costs, the company also adopted retrenchment strategy in the post-liberalisation period. PAL has increased its R & D expenditure and is laying emphasis on product upgradation. Indigenisation, technology absorption, value engineering, productivity, quality and single point manufacturing are some of the other priorities of the company in the new business environment.

6. In order to restrengthen its competitive advantage in the post-liberalisation period, the company reduced its employee strength by introducing a Voluntary Retirement Scheme. As a cost-reduction strategy, PAL stopped overtime payments and productivity-linked incentives for workers.

9.4 TATA ENGINEERING & LOCOMOTIVE CO.

Presented below are summarised findings relating to Tata Engineering & Locomotive Co. (TELCO):

1. The emergence of a liberalised industrial regime provided opportunities and challenges to TELCO which changed its strategic planning process. The planned consolidation by the Tata Group may lead to mergers and amalgamations which will affect TELCO also. This possibility has increased because of the relaxation in
the MRTP Act.

2. Consequent to Government's policy of liberalisation with respect to expansion by MRTP companies, TELCO increased its licensed production capacity. It also established a new assembly plant in the post-liberalisation period. The introduction of broad banding and expansion policies resulted in excellent growth by the company in the post-liberalisation period.

3. On account of expansion and modernisation policies followed by the company, capital requirements increased in the post-liberalisation period. Mostly, the company augmented its financial requirements through the capital market. TELCO's turnover increased phenomenally in the post-liberalisation period due to improved performance. Profits of the company also increased in the liberalised business environment as a result of removal of constraints on growth and expansion.

4. The company, utilising the policy of broad banding, entered into a new segment of commercial vehicles in the post-liberalisation period. TELCO also launched two models of passenger vehicles, and developed and introduced variants of existing products. Though, the company prices its vehicles reasonably, extraneous factors have led to price hikes. The intensification of competitive forces as a result of policies of liberalisation prompted TELCO to embark on an aggressive
marketing and advertising campaign. The company gave emphasis to demographic product positioning. Although the company's market share in some segments has remained stable, its market share in the new segment of light commercial vehicles increased exceptionally in the post-liberalisation period. As a part of strategic corporate plan, exports are being targetted to newer markets.

5. To achieve competitive advantage in a changed business environment, the company embarked on a programme of product development and plant modernisation. In order to maintain a competitive edge over its competitors, TELCO is now emphasising on quality, reliability and appearance of vehicles. The company has also computerised its operations and is establishing flexibility of operations in order to meet the changing requirements of the market at a quicker pace. TELCO has increased its R & D activities in the post-liberalisation period.

6. TELCO assigns high priority to the training of its employees. It has initiated special training programmes on specialised subjects in the post-liberalisation period to broaden the horizons of its employees in the light of the new business environment. In order to reduce costs, TELCO retrenched casual workers. In the post-liberalisation period, the company fixed retirement age for its chief executive and top managers in order to plan succession.
9.5 CONCLUSIONS

The summarised findings based on the case studies of the four selected companies lead to the following conclusions:

1. The businesses which did not plan for their groups have started long-term planning in the post-liberalisation period. Those which already had group planning have now graduated to strategic planning. Subsidiaries are being guided by the parent group/company. Another conclusion that can be drawn is that unrelated diversified companies are rationalising their businesses while the vertically/horizontally integrated companies are going for concentric diversification.

In response to the rapid change in business environment due to Government's liberalisation policies, companies are increasingly relying on professional style of management rather than the traditional style. Moreover, the need for quick decision making has led to delegation of authority and responsibility.

Another significant finding is that the restructuring exercises adopted by companies aim at consolidation in their respective businesses. It is also found that large size of a company is a cause for being less adaptive to the changing business environment. As a result, the emphasis is on lean organisation.

2. The Governmental policies of minimum economic capacity, capacity reendorsement, and expansion have led to a growth in production capacity in the post-liberalisation
period. Companies have largely followed volume expansion strategy in view of the emergence of new markets. Growth strategy followed by companies in the post-liberalisation period have been aided by overseas collaborations. Relaxation in procedural impediments with respect to foreign technology and collaboration policies have been helpful in this regard.

3. The grand strategies and growth path followed by the companies to become competitive in the post-liberalisation period have led to an increase in capital requirements. Companies have followed different policies, or a financial policy-mix, in this regard. Intense competition has put pressure on profits with varying degree though the turnover of the companies have increased in the post-liberalisation period.

4. The increase in competition has led to widened product choices in the post-liberalisation period. Companies are now making efforts to satisfy customer requirements and preferences. There has been a virtual change in the adoption of marketing-mix strategies. Aggressive marketing and promotional strategies have been adopted by the companies in the post-liberalisation period. Companies are now concentrating more on marketing than sales. The challenges posed by the new entrants have led to fluctuations in market shares of companies. Companies which have reacted quickly to rapid environmental changes
have had a decisive advantage over their competitors. A positive impact of liberalisation has been the introduction of price competitiveness and price consciousness among the companies.

5. There has been a paradigm shift in the production practices adopted by companies. In the post-liberalisation period, companies are laying emphasis on product development and upgradation, manufacturing efficiency and plant modernisation. The level of automation and computerisation has increased. Priority is now being given to raising productivity and improving quality to meet customer requirements. Manufacturing cost-reduction is the latest trend in the companies. In the post-liberalisation period, companies are according priority to R & D activities.

6. Varying strategies have been adopted by companies with respect to human resource management. As the present emphasis is one cost reduction and lean organisation, companies have adopted various strategies to reduce manpower strength. Recruitment policies, too, have changed in the post-liberalisation period. In-house training, team-work, employee involvement and succession planning are some of the issues that have gained importance in the post-liberalisation period.
The summarised findings and conclusions, therefore, support the general propositions of the present study mentioned in Chapter Three.

9.6 DIRECTIONS FOR FUTURE RESEARCH

This researcher has undertaken two research studies related to liberalisation. The preliminary study, completed during the pre-doctoral course, dealt with impact of liberalisation measures on three selected industries viz. automobile, fertilizer and petrochemicals. The study was, therefore, macro in nature. As an extension of the earlier study, the present study deals with policy issues at micro level, that is at the firm-level.

On the basis of research work undertaken during the past four years, it is desirable that certain directions be proposed for future research as a single, time-bound study is unable to deal with all relevant issues of the subject. The following directions are suggested for future research:

1. It could be possible to explore the relationship between the liberalisation measures and their impact on business policies of companies in general by means of:
   a) Considering a larger number of measures.
   b) Considering a larger number of policy variables.

2. The term liberalisation is itself of a wider connotation. Other type of liberalisation measures, for instance, trade, fiscal, financial could also be taken up for an assessment of their impact on business policies.
3. Another probable approach in future could be to study the impact of liberalisation across comparable industries such as electronics, petrochemicals, or food processing.

4. The impact of liberalisation measures can also be studied across heterogenous industries like jute, textiles, etc.

5. A possible direction could be to study the impact of liberalisation on different elements of strategic management process such as strategy formulation, strategy implementation, and strategy evaluation.

6. An approach that could intensively focus on policy variables could consider fewer companies which could be studied longitudinally over a period of time to assess the impact of liberalisation measures.

7. Finally, a study mainly based on quantitative and statistical measures could be undertaken to evaluate the impact of liberalisation.

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378