ABSTRACT

* Introduction
* Contents of the Thesis
* Research Propositions
* Methodology of Research
* Main Findings of the Study
* Consolidated Results
INTRODUCTION

A dominant feature of industrialisation in independent India has been the regulation and control of business and industry. In the process, state intervention gained respectability as it supported the ideals of 'planned industrial development' and 'socialistic pattern of society'. It was perceived by the policy makers that the regulatory environment would provide the desired direction and growth to the industrial sector. However, the complexity of the regulatory mechanism and the inconsistent inter-linkages within the control system ensured that the envisaged performance of the economy do not match its real potential.

The slow economic growth and stagnant industrial production pointed towards the inefficiency and rigidity of Governmental policies. Although many expert committees criticised the inherent weaknesses of the regulatory structure, yet the Government took only hesitant corrective steps which inevitably enhanced the infirmity of the system. In short, lack of political will and ideological dilemma made way for inward-looking strategies.

Economic pressures and developmental necessities, however, reverted the system of management of various segments of the economy. It was realised that the structure, mechanism and commercial wisdom of the Government had been unsuccessful in adapting and responding to the envisioned objectives.
A review of experience, the dynamics of international geopolitics, and the globalisation of the market system laid the foundation for circumscribing of a vigorous set of policies in January, 1985 — collectively referred to as liberalisation policy. Political compulsions, ideological tunnel-vision, traditional bureaucracy, and protected entrepreneurship, however, are some of the reasons why liberalisation had a sub-optimal impact on business and industry until recently.

The process of liberalisation was revitalised and accelerated in mid-1991 which rapidly changed the business environment. The broad objective of the policy measures is to make the economy internationally competitive and globally integrative. The liberalisation process aims at making the economy flexible and adaptive in order to meet the challenges of impending threats and avail the emerging opportunities.

It may be of use, and interest, to study the strategic behaviour and response of Indian companies to the Government policy changes and draw lessons for chief executives of organisations who are facing new and varied challenges in managing their business. This is the basic idea of the present study.

Contents of the Thesis

This thesis is divided into nine chapters. Chapter One tries to present a general view of business and industry in
independent India, and the regulatory business environment in which it used to operate. Later, it more specifically highlights the regime of controls and regulations, and exemplifies the paradoxical nature of Governmental policies. The process of liberalisation initiated in 1985, its gradual slow-down and subsequent revitalisation in 1991 have been briefly discussed next, and extends to describing of liberalisation measures announced in the post-1984 period. The last section attempts at evaluating the present scenario in the context of policy changes brought about by the Government.

Chapter Two of the study deals with the Indian automobile industry which has been presented in the form of an industry profile. The automobile industry profile primarily constitutes of six industry factors viz. Industry Structure, Growth of the Industry, Market Characteristics, The State of Competition, Resource Usage, and Modernisation and Upgradation of Technology. Each of these industry factors comprise of several sub-factors. To facilitate understanding, qualitative description is supplemented by quantitative data. To provide an element of completeness to the profile, the chapter begins with the historical development of the industry and, at the end, evaluates the present status and future prospects of automobile industry. The methodology of research adopted for the purposes of the present study has been presented in Chapter Three. The chapter consists of review of literature, identification of
research gaps, the enumeration of need for study, research problem formulation, and operational definitions. Later, the general research propositions have been stated which is followed by research and sample designs adopted for the study. In the subsequent sections, the methods of data collection, the form of analyses and interpretation, and the limitations of the study have been dealt with.

The profiles of four selected private sector companies --- Bajaj Auto Ltd, Escorts Ltd, Premier Automobiles Ltd, and the Tata Engineering & Locomotive Co. --- constitute Chapters Four, Five, Six and Seven respectively. The company profiles have primarily been presented on the basis of six Business Policy variables which were identified during the course of formulation of research problem. The identified Business Policy variables are : Organisation Structure and Management, Size and Growth, Capital Acquisition and Finance, Marketing Policies, Production and Operations Policies, and Management of Human Resources. However, to impart completeness to the company profiles, the evolution of the companies, their corporate objectives, and strategic plans and future outlook have also been included. The various sections of the company profiles are divided into related sub-sections. For a purposeful understanding of companies' strategic behaviour and responses, the researcher has attempted to punctuate qualitative description with quantitative data. In presenting the profiles of the companies, elements of analyses/criticism have been avoided.
Chapter Eight of the thesis analyses and interprets the impact of liberalisation on business policies of selected private sector companies. The impact of liberalisation on business policy of each company has been analysed separately which is followed by a descriptive consolidation of results and concluding comments.

On the basis of analyses done in the previous chapter, the summarised findings and conclusions of the study have been presented in Chapter Nine. The last section of the chapter attempts at providing some directions for future.

References made in the study appear at the end of respective chapters. The list of books, and Government documents and publications consulted and referred has been appended at the end of the thesis in the form of Bibliography.

RESEARCH PROPOSITIONS

The research propositions for the purposes of the present study are:

(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.

Methodology of Research

Keeping in view the objectives of the study, and in order to justify the need for research, the researcher has conducted
a review of existing literature in the subject. This led to identification of research gaps. Later, the need for the study has briefly been mentioned.

In formulating the research problem, the major liberalisation measures have been chosen for the present study. The liberalisation measures considered are: Delicensing, Minimum Economic Capacity, Capacity Reendorsement, Broad Banding, Procedures for Industrial Approvals and Foreign Collaborations, and Procedures for MRTP and FERA Companies. The researcher has also constructed a conceptual framework which graphically explains the main dimensions to be studied.

The scope of the study has been described later followed by the operational definitions of terms used in the research topic. This is followed by description of research design. In view of the nature of study, exploratory research design has been selected. The sample design explains and justifies the selection of four private sector companies belonging to the automobile industry. The four companies selected for the study are --- Bajaj Auto Ltd (BAL), Escorts Ltd, Premier Automobiles Ltd (PAL) and Tata Engineering & Locomotive Co. (TELCO).

Subsequently, the methods of data collection have been described. The present study relies on secondary data. The problems associated with collection and use of secondary data have been briefly stated.
The analyses have been done in broadly two ways. Firstly, the impact of selected liberalisation measures on business policy variables has been analysed separately for each company. Later, the results arising out of individual company - analyses has been presented in the form of consolidated results. The basis of analyses is the profiles of selected companies. Precisely, the researcher has laid emphasis on studying the impact of six liberalisation measures on six business policy variables. Finally, the findings and conclusions have been summarised in a separate chapter.

**MAIN FINDINGS OF THE STUDY**

The main findings of the present study are as follows:

**Bajaj Auto Ltd (BAL)**

1. BAL restructured some of its divisions in post - liberalisation period; slashed decision hierarchy.

2. BAL expanded its installed production capacity for two - and three - wheelers; established a new plant and a separate three - wheelers manufacturing division; phenomenal growth.

3. Expansion strategy followed by BAL increased its capital requirements in the post - liberalisation period; turnover and profitability increased.

4. Introduced new products and new models in post - liberalisation period; entered into motorcycle segment;
adopted aggressive marketing strategy; increased promotional expenditure; restrengthened dealership network; market share in two- and three-wheeler segments increased; decline in scooter market share.

5. BAL adopted modernisation strategies in the post-liberalisation period; emphasis on quality and productivity, in-house R&D and manufacturing cost reduction.

6. BAL changed its recruitment policy in the post-liberalisation period; emphasis on in-house training and team work.

**Escorts Ltd**

1. To regain its position, Escorts is following combination grand strategy through stability, expansion and retrenchment; started group planning; restructuring to become a lean organisation.

2. Escorts increased its production capacity in the post-liberalisation period; did not expand in a big way; moderate growth.

3. Modernisation and diversification in post-liberalisation period increased capital requirements; increase in turnover but decline in net profits; more vulnerable to takeovers due to under-capitalisation.
4. Introduced new products; promotional expenditure increased; adopted aggressive marketing strategy; dealer network restrengthened; market share declined considerably in the post - liberalisation period.

5. Adopted newer production technology; increased automation to improve quality and productivity; emphasis on manufacturing cost reduction and in - house R & D.

6. Reducing manpower strength through automation; 'golden handshake’ to affected workers; emphasis on workers training; freeze on fresh induction.

Premier Automobiles Ltd (PAL)

1. PAL changed its style of management in post - liberalisation period; adopted decentralised system; delegating authority and responsibility; management structure flattened; becoming a lean organisation.

2. Increased production capacity in post - liberalisation period; decelerated growth; related diversification increased volume of production.

3. Expansion and modernisation programmes increased capital requirements; turnover increased; profits stagnated.

4. PAL re - oriented marketing strategy; introduced a new model and variants of existing products; aggressive marketing strategy; increase in promotional expenditure; declining market share.
5. Adopted modernisation strategy; emphasis on product upgradation, quality, productivity, indigenisation, in-house R & D; reducing manufacturing cost.

6. PAL reduced employee strength through Voluntary Retirement Scheme in post-liberalisation period; stopped over-time payments and productivity-linked incentives.

**Tata Engineering & Locomotive Co. (TELCO)**

1. TELCO changed its strategic planning process in post-liberalisation period; planning consolidation; possibility of mergers and acquisitions which will affect TELCO.

2. Increased production capacity; established new assembly plant; excellent growth.

3. Expansion and modernisation strategies increased capital requirements in post-liberalisation period; turnover increased phenomenally; profits increased.

4. TELCO entered a new segment of commercial vehicles in post-liberalisation period; entered passenger car segment; introduced variants of existing products; aggressive marketing strategy; change in product positioning strategy; market share in light commercial vehicle segment increased exceptionally.
5. Embarked on programme of product development and modernisation in post-liberalisation period; emphasis on quality, reliability and appearance of products; establishing flexibility of operations; increase in in-house R & D.

6. TELCO is emphasising on training of employees; retrenched casual workers; fixed retirement age for chief executives and top managers; emphasis on succession planning.

**Consolidated Results**

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

1. Companies have started long-term planning in the post-liberalisation period while some others have graduated to strategic planning. Unrelated diversified companies are rationalising their businesses while the vertically/horizontally integrated companies are moving towards concentric diversification.

Companies are increasingly relying on professional style of management and are delegating authority and responsibility.

Restructuring exercises adopted by companies aim at consolidation of their businesses. As large size of the organisation is a cause for being less adaptive to the changes, emphasis is on lean organisation.
2. Governmental policies of minimum economic capacity, capacity re-endorsement, and expansion have led to growth in production capacity in the post-liberalisation period. Companies have largely followed volume expansion strategy. Growth strategy of the companies have been supported by overseas collaborations due to relaxation in foreign technology and collaboration policies.

3. Grand strategies and growth path followed by companies 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. Turnover of companies have increased but intense competition has put pressure on profits with varying degrees.

4. Increased competition has widened product choices in the post-liberalisation period. There is a perceptible change in adoption of marketing-mix strategies. Companies have adopted aggressive marketing and promotional strategies. There is price competitiveness and price consciousness among the companies.

5. In the post liberalisation period, companies are laying emphasis on product upgradation, manufacturing efficiency, and plant modernisation. The level of automation and computerisation has increased. Manufacturing cost reduction, quality and productivity is
being emphasised. Priority is being accorded to R & D activities.

6. The present emphasis of companies is on cost reduction and lean organisation. Various strategies have been adopted in post-liberalisation period to reduce manpower strength. Recruitment policies, too, have changed. In-house training, team work, employee involvement, and succession planning have gained importance in the post-liberalisation period.

The findings, therefore, support the general propositions of the study.

* * * * *