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REVIEW OF LITERATURE

The review of literature seeks to scan select strategy literature on different themes such as environment, adaptation, competitiveness, and resource and capability perspective. Strategy literature in the Indian context, the focus of the studies in India before and after liberalisation, industry related literature specific to enterprises chosen, case studies in other industries, reports of the firms chosen, specific literature or studies of chosen firms and other allied literature, and recent developments in the strategy literature in the Indian context have also been presented.

The summary of literature reviewed has been provided in the following sections:

2.1 Review of Select Literature in Strategy Area

- Kauṭilya's contribution to statecraft is vast and its implication for modern management is immense and is more ancient than those of western contributors. He talked in terms of the manager as a strategist (vijīgsu) and his classic Arthasastra, that has many commentaries in Sanskrit, covers models of men, financial administration, motivation, leadership and response strategies in different situations. Kauṭilya talked about man as a shaper of destiny, man in work situation, man in social context, man in weaker moments. He further developed four planks of management tools of motivation, consisting of sama (persuasion), dama (incentives), bheda
(internal competition/division), *danda* (punishment). Applying each of these methods of motivation depended on the context of the situation, and whether the person is operating from good aspect (*satva*), dominator aspect (*rajas*) or bad aspect (*tamas*). Kautilya highlighted that decision-making processes ought to be consultative and consensual and emphasised the importance of group-thinking. He further emphasised that power is the prime mover to achieve success. Kautilya developed the ‘mandala’ theory of organisations where he outlined concepts of organisational networks, sub-organisations within large organisations. He also classified control in three different categories namely direct control, indirect control and inference-based control. These in turn can be applied in modern organisational contexts to formulate strategic responses and establish strategic alliances by taking into account power relationships in the organisational units. Strategic responses are to be formulated based on a comparison of strengths and weakness of self and the competitor and strategic alliances established to ensure a favourable power balance to one’s own organisation. (Sharma 2007).

**Strategy and Environment:**

- Mid 1950s, the 1960's and early 1970's saw the development of conceptual framework with regard to strategy. Drucker (1954) proposed that “management is not passive, adaptive behaviour; it means taking action to make the desired results come to pass” (quoted in Ghemawat 2004). Chandler.Jr., (1962) explored the interrelationships between
strategy and structure.\(^3\) Ansoff (1965) considered strategic decisions were primarily concerned with external rather than internal problems of the firm and specifically with selection of product-mix which the firm will produce and the markets to which it will sell.\(^4\) Ansoff also dealt with product and market development, diversification issues. Andrews (1971) considered corporate strategy as a pattern of decisions in an enterprise that determines and reveals its objectives, purposes, produces principal policies for achieving the purposes, defines the range of businesses the company intends to pursue and the kind of organisation it wants to be and the nature of contributions it provides to its stakeholders.\(^5\) Technology as part of the environment has been part of early strategy literature. Analysis of western historians of Babur’s success in India highlights the role of technology for competitive advantage.

• Henderson (1979) identified that the core of business strategy for a company was to promote a stance on the part of its competitors that would cause them either to restrain themselves or act in a fashion that the management considered as beneficial. In business, he opined, that a firm could inflict punishment on the other firm. If a competitor was not predisposed to accept the same, either the punishment would be imposed upon it or conditions of cooperation would be created. A judgement about the competitor’s future behaviour or response determined mutual restraint on competing with each other. If it was perceived that the behaviour of a
competitor was not rational or predictable, the competitor would have a greater advantage in ensuring a competitive balance.\(^6\)

**Competitiveness:**

- Porter (1979) identified that the essence of strategy formulation was in coping with competition. He hypothesized that understanding the five forces – the threat of new entrants, bargaining power of customers, bargaining power of suppliers, the threat of substitute products/services, the competition among current contestants, was essential to setting a strategic agenda for an enterprise for competitive advantage.\(^7\)

Porter (1996) also looked at strategy as the creation of a unique and valuable position that involves different set of activities. Strategic positioning involved performing different activities from those of competition or performing similar activities differently for gaining advantage over competitors.\(^8\)

- Henderson (1983) proposed a set of principles for the conduct of competitive analysis. These principles, he hypothesized, were universal whether applied to a biological or business competition. The value of marketing strategy that is formulated is directly related to the soundness of the competitive analysis that was undertaken to formulate it.\(^9\)
Wind and Robertson (1983) proposed new directions for marketing strategy to overcome limitations in marketing theory. The limitations were fixation with brand as a unit of analysis, not having an interdisciplinary approach in marketing, lack of rigorous competitive analysis, absence of an international orientation, and the absence of an integrated strategic framework. They proposed a market-guided model for its strategy formulation to overcome the above limitations.10

Strategy Adaptation:

Mintzberg and Waters (1981) examined the history of the Canadian Lady, a leading firm of garments, to formulate a comprehensive understanding of how strategies were formed and formulated in organisations. They viewed strategies “as patterns in streams of decisions” and focused on tracking decision-streams in many years and interfering periods in strategy development, and the forces that influenced the formulation of strategy. They proposed that in response to changed conditions in the environment a firm adapts itself through three stages of unfreezing, changing and refreezing.11

Child and Keiser, as quoted in Handbook of Organisational Design, Nystrom and Starbuck (1981) looked at organisation development over time and concluded that most discussions have concentrated on business enterprises. According to them there has been a lot of stress on growth and research studies have not looked at organisation development over time.
They proposed a model where environmental variables influenced by the internal dynamics of the management led to formulation of strategies.\textsuperscript{12}

- Shapiro (1988), identified market orientation involved three features. Information about consumer's buying behaviour that is diffused through every organisational function, strategic, tactical decisions that are based on cross functionality and organisational divisions, functions that take decisions in a coordinated manner, implement them with sincerity.\textsuperscript{13}

**Resource and Capability Perspective:**

- Another perspective of research identified strategic intent as contributing to competitive advantage. Strategic intent "envisioned a desired leadership position and established the criterion that the organisation will use to chart its progress" (Hamel and Prahalad, 1989).\textsuperscript{14}

- Developing this research further, the concept of five-forces was questioned. Aspects such as strategic hierarchy (goals and tactics) were seen as abetting the process of competitive decline in the global context. Competitiveness was a derivative of "an ability to build, at lower cost, more speedily than competitors, the core competencies that spawned unanticipated products" (Hamel and Prahalad, 1994).\textsuperscript{15} Core competencies resulted in core products, services which added value to end-products and services. In other words, the enterprise ought to amaze the environment with innovative products and focus on 'strategic architecture' for
developing specific core competencies. That the enterprise must take a proactive stance with respect to environment was emphasised.

- Resource based view of the firm emphasises the importance of firm-level resources in ensuring competitive advantage. Barney (1991) identified four empirical indicators for the scope of a firm's resources (as quoted in Shivaramu 1999). They are value of the resource, rareness of the same, inimitability of the resource by the firm's competitors and substitutability of the resource.  

- Chakravarthy (1997) proposed a new strategy framework for coping with turbulence. In turbulent environment, he expressed that, market leaders ought to repeat innovations, set up customer networks, judge the possibility of new products, and involve the entire organisation in the strategy of the firm. Market leaders must also utilise the firm's capabilities for leveraging, bolstering and broadening its distinct assets and skills.

- Kim and Mauborgne (1999) proposed that strategy driven by competition had three limitations. Firms copied or imitated their competitors and did not innovate in the market. Companies became reactive and were not proactive, leading to focus on reactive moves. The firms were unclear about developing mass markets and shifts in consumer demands. They proposed the concept of value innovation based on studies of companies that sustained high performance than competitors. Value innovation had
three features that of offering much superior value (making competition irrelevant), focusing on mass of buyers, developing deeper understanding of non-customers (even willingly losing some existing customer base) and collaborating with other organisations.\textsuperscript{18} Value innovation, they felt, would be the approach in a knowledge economy.

**Recent Developments in Strategy Research:**

- Abell (1999) emphasised the importance of organisations having to understand that management involves running current operations of a business and preparing for the future are simultaneous activities. With increasing competition a single strategy for the organisation may not be adequate. He proposed that dual strategies are required for the organisations, one for the present and another for the future. Managing the problems of dual strategy planning, according to him, involved defining leadership responsibilities such as CEO and COO, stability and steadiness in organisational structures and processes, understanding duality in planning and appropriate control mechanisms.\textsuperscript{19}

- Mintzberg and Lampel (1999) reflecting on the strategy process historically classified strategy in ten schools of thought namely, design, planning, positioning, entrepreneurial, cognitive, learning, power, cultural, environmental, and configuration schools. In recent times an effort has been made to develop approaches of examining strategy that cut across schools. They have further stated that both scholars and practitioners ought
to focus more on the field as a whole rather than parts to have an improved understanding of strategy formation.²⁰

- Rowe (2001) examined the relationship between creating wealth in organisations and the role of strategic leadership. He was of the opinion that wealth creation in entrepreneurial and established organisations was a complicated and daunting task in the present business environment that was simultaneously global and technologically progressing. Strategic leadership improved the wealth creation process of the organisation and led to better returns. On the other hand, mere managerial leadership would result in average returns. The author differentiated the concepts of strategic, visionary and managerial leadership. The outcome of strategic leadership would be wealth creation for the employees, customers, suppliers and shareholders of entrepreneurial and established organisations.²¹

- Researchers assessing the state of the field of marketing strategy research proposed that the “fundamental issues that concern marketing strategy are understanding and explaining firm behavior in the realm of deployment of marketing resources for competitive advantage and its contextual underpinnings” (Varadarajan and Jayachandran 1999).²² They further classified research on topics which have focus such as competitive behaviour, innovation, quality, market pioneering, market orientation, strategic alliances. While some of these are specific to marketing strategy,
others span multiple organisational functions, interface between marketing and business strategy, and organisational-level phenomena that affect marketing strategy.

2.2 Strategy Studies in the Indian Context

In the Indian context, prior to independence the British rulers had no inclinations to develop Indian industry. Their focus was on using the Indian agricultural base for their gain. Even limited efforts by the then Government of Madras and the Mysore principality were discouraged by the British colonial government. Even before independence the Congress was inclined towards socialistic ideas and Pandit Nehru was in favour of state ownership of key industries and services. The industrial policy resolution of 1948 was highly influenced by Nehruvian thinking. Industries were divided into three categories, the first covering atomic energy, defence equipment which was under the central government, the second included industries such as manufacture of telephones, iron and steel, coal, ship building etc., which could be by undertakings of the central or state governments. The rest were left to the private sector and the state retained the prerogative of nationalisation if the role of the private sector was perceived as unsatisfactory and not in national interest. The industrial policy resolution of 1956 also reemphasised the above aspects in the earlier policy and underlined the socialistic society as indicated in the constitution of India. The cooperative sector was also seen as part of a larger public sector with heavy dose of government intervention in this sector both legally and structurally in day-to-day operational matters. The five year
plans in this period also emphasised the dominant role of the public sector till 1991. The preference of the public sector over the private sector was justified both on ideological grounds such as social objectives and economic grounds such as lack of resources with the private sector. The control on the cooperative sector by the government was justified on the basis of exploitation of farmers and lack of managerial skills in this sector.

The above aspects influenced the study of strategy in India. Prior to liberalisation, most of the studies focused on issues pertaining to the public sector.

- Murthy (1987) analysing corporate strategy in public enterprises highlighted the importance of missions in public enterprises. Given the changing nature of environment public enterprises needed to adopt new activities that helped their mission. There were different shareholders for a public enterprise and hence challenges of leadership, organisational cohesion and success traps were high. In view of environmental turbulence sometimes caused by the enterprise it becomes obsolete. He proposed the concept of strategic competence as the ability to reduce the gap quickly between the stated goals of an enterprise and the subsequent stream of decisions to achieve those goals. This helps the public enterprise to decipher environmental challenges and formulate responses. Strategy, in public enterprises, implied a stream of decisions that helped the organisations' survival by meeting the requirements of shareholders by bringing about alignment of the shareholders.23 There were also case
studies on strategic adaptation in the public sector. Manikutty (1987), even prior to liberalisation, undertook a case study of environmental change and organisational response in the context of a public sector enterprise taking two products, computers for policy induced changes, oscilloscope for autonomous changes such as change in market preferences.

In the context of cooperatives the focus was on organisational dimensions as the sector was seen as an extension of the government with limited strategic flexibility. Balaji (1984) looked at organisational commitment in cooperatives.

Post-liberalisation, some researchers have focused their study on Indian corporates from different perspectives such as using policy initiative to uncage the tiger in the making while others have looked at corporate response to policy changes. There are two branches of research in the Indian context (in the background of reforms).

- One branch of analysis purely focused on the impact of reforms in different sectors of the economy such as the manufacturing sector (Mani and Vijayabhasker 1998) and power sector liberalisation (D'Sa, Murthy and Reddy 1999). Another study focused on issues in the agriculture sector (Desai and D'Souza 1999). Industry level strategic responses for global competitiveness in the textile sector by Indian enterprises and
identifying initiatives at enterprise, industry and government levels also has been a subject of research (Chandra, 1999). In the context of the cooperative sector, there have not been many studies focusing on strategic responses of cooperative enterprises, though a few studies have dealt with strategic issues (Shah 1992, Jain 1992, Srinivasan 1992). The need for such research has been emphasised.

- The other branch of research is the set of case studies that have concentrated on understanding responses at the enterprise level. Ray (1998) carried out a questionnaire survey of large and medium sized manufacturing firms to identify responses of enterprises to liberalisation. Another study has focused on specific challenges ahead and responses required by enterprises. For instance, issues in creating successful new products by enterprises for competitive advantage were explored by researchers (Krishnan and Prabhu, 1999).

- Venugopal (1998) examined two enterprises in electronics and paper industries and attempted to document, analyse and explain the content and process of strategic response of public enterprises to deregulation and changes in public policy with respect to the public sector. By and large, except a few studies, the focus has been more on content of strategy and less on the process of how and why of the responses that have been conceived.
• Public policy as a key element in determining strategy has been recognised in literature on strategy research (Venugopal and Dixit, 1999). Public policy is seen as influencing market environment directly, indirectly and enterprise responses are for both.

• In a review of research on enterprise responses to public policy reforms, Venugopal and Dixit (1999) identified the opportunities for further research such as innovation and liberalisation, corporate governance and liberalisation, political behavior of enterprise, inter-enterprise differences in responses, sector, ownership, size and enterprise responses, enterprise response and country context, market orientation of enterprises and policymakers’ responses to enterprise change.

• Karki (2004) emphasised the need to embrace careful and suitable corporate strategies, as Indian organisations faced an environment that was complex, fast, dynamic and forms part of the global business. He further reviewed the strategic management discipline as falling into four frameworks, SWOT in the 1960s, Strategic Planning Matrix in the 1970s, competitiveness in the 1980s, core competency in the 1990s. On the basis of the review he reckoned that, corporate strategy was a response to evolutionary and emerging contexts in the Indian business situation. He proposed a root-branch framework that incorporates the contextual patterns and imperatives of an organisation. The root-branch framework, according to him, is built around the premise that “corporate strategy of an
organisation is a gestalt of three sets of components: root, the first level response to the commonalities in the context shared by the entire organisation, a branch, the strategic direction and components based on company or industry-specific factors.” This paper further identified, being “honest + being world class”, as the root for the Indian business, with the branches being India focused/India diversified/global focused as the branches. An organisation to be successful has to develop a plan that is compatible with the root, branch and the company specific factor.

- Khatri (1999) researched the aspect between strategy formulation and implementation and whether they were separate functions. He examined strategic planning approach that treated formulation and implementation as independent and the learning approach that proposed that strategy formulation and implementation combined into a process of learning through which creative strategies developed. Based on his research, he suggested that the evidence was in favour of the learning school.41

- Manimala (1997) examined the strategic responses of Indian organisations to economic liberalisation. He reviewed various studies and organised them on the following aspects:
  - Association between environment and strategy.
  - Types of strategies, their effect and bearing on organisational performance.
▸ Strategy clusters and dimensions, and organisational groups based on strategic preferences.
▸ Characteristics of strategic decision-makers and the influence of such characteristics on strategic choice.
▸ Organisational systems and their influences on the choice and execution of strategies.
▸ Different views and methodological issues in the development of strategies and management of change.

Based on the above, he concluded that there were many studies that explored the relationship between strategy and structure, the relationship between environment and structure, the third link of environment and strategy relationship was neglected. Even a few studies undertaken had no focus on developing nations. He undertook a mail survey and concluded that nine strategic responses were observed in the Indian context. The responses were in restructuring and manpower adjustments, culture and image building, technology forecasting and specialisation, improving productivity, foreign collaboration and unrelated diversification.  

• Thomas (2003) looked at strategic management issues specifically with respect to Indian NGOs. He suggested that several NGOs undertake periodic planning exercises; their dominant mode of strategy formulation was experiential rather than by design. The initial directions given by
NGO founders and the ability of the NGO to access financial resources were critical.  

- Ray (2003) made a distinction between economic liberalisation and industry deregulation. He indicated that the challenges with respect to strategy encountered by an enterprise in an economy that is being liberalised have not been understood adequately. Liberalisation involves changes across industries while industry deregulation is restricted to opening up an industry. Enterprises that respond to liberalisation have been able to take advantage of changes across industries and respond effectively. The study called for managerial research at the firm-level in this context.  

- Xavier and Ramachander (2000) examined the evolution of contributions on competition and emphasised the need to look beyond the objective of having competitive advantage. The development of consumer movement and penetration of Japanese companies created a situation where the focus was on offering better value to customers and maintaining competitive advantage over rivals. In the light of uncertainties of the market in the 1990s the focus was on coping ability in the environment, developing the sagacity to shape the industry. Intra and inter-organisational networks emerged leading to a need for thinking beyond competitiveness. Based on their analysis of pre-industrial value systems and oriental thought, they proposed a '3Em' model of Embarkation.
(struggle for survival), Emulation (growth through comparison) and Emancipation (immortalities) that could be used along with the use of information technology. In the third stage the company sets new standards with high ethics and pursues eternity with a divinity (more than visionary) CEO. 3M happened to be a company which pursued practices similar to emancipation stage.45

• Government restrictions and licensing not only restricted capacities but also constrained development of capabilities. There has been a surge in interest among strategy researchers regarding various aspects of capabilities. In a very recent study, Dixit, Kama and Sharma (2007) examined the literature on capabilities of a firm from various dimensions. Capabilities are distinct internal resources of the firm that provide it the competitive advantage. Since there is a lot of confusion of what constitutes capabilities they examined literature and identified eight dimensions. They are definition, portfolio, utilisation, level, characterisation, demonstration, lifecycle and development. The relevance of this approach lies in the fact that, it not only helps researchers focus on specific dimensions in their studies, but also is useful in comparing capabilities across dimensions and the impact of other factors that impact these dimensions.46

• In another recent study, Dixit, Kama and Sharma (2007) made an effort to decipher the process of capability development by organisations.
They analysed Samsung’s initiatives in memory and microwave oven business. They identified two dimensions, organisational persistence and environmental persistence that affect developing breakthrough capabilities by a firm. Examining the Samsung case they developed a model of developing breakthrough capabilities. They further identified four distinct breakthrough types. They are entry, platform, springboard and mirage stages. The approach still under development helps in understanding the impact of the two dimensions, organisational persistence and environmental support in developing breakthrough capabilities.47

- Ray and Ramakrishnan (2006) made an attempt to demystify the confusion in the terms ‘competence’ and ‘capabilities’ that dominate strategy literature in recent times. They undertook a historical review and identified the features in the definitions of various researchers: Selznick (competence as an organisational adaptation for various purposes), Andrews (distinctive competence with emphasis on action), Reimann (potential for long term growth and survival), Prahalad, Hamel, Collis (core competence), Hall (distinctive competence), Vittorio (knowledge and innovation dimensions in competence), Lei (problem-defining and problem solving for growth as core competence), Sanchez (competence as coordinated deployment of assets and resources), Dosi (capabilities as part of competence), Thomas, Bogner, Mcgee and Pollock (competitive advantage through knowledge and skills). There is
some overlap and interchangeable use of capabilities and competence by these researchers. Based on their analysis Ray and Ramakrishnan have defined "competence as a combination of firm-specific resources that are sufficient and glued by organisational processes, routines and mechanisms to achieve organisational objectives while capabilities are combinations of sets of competencies bonded together by organisational processes, routines and mechanisms to achieve organisational objectives."\(^{48}\)

- Ray and Chittoor (2007) in a recent study made an endeavour to understand the strategic responses of Indian pharmaceutical industry to liberalisation. Using five in-depth case studies and data on 71 firms over a ten year period, they concluded, based on initial research, that forces of economic liberalisation aid internationalisation and it is an important factor in the emergence of third world MNCs.\(^{49}\)

- Venugopal (2001) analysed the premises of strategy formulation and evaluation that looked at an organisation as a collection of resources. The implications of this school of thought indicated that managers ought to identify resources that are flexible, versatile and yet capable of creating a range of products that could not be copied by competition. He proposed that such resources could be identified in practice in organisations. He proposed the concepts of resource modularity and resource reconfiguration as the main goals of strategy in a complex
situation. He further perceived that organisations could be seen as a network of resources and in a globalised world connectivity could be handled using structures based on resource modularity.\textsuperscript{50}

- Aggarwal and Singh (2003) examined antecedents and consequences of market orientation in Indian companies. Market orientation has become an area of research after 1990s, which have by and large, focused on developed countries. Using a mailer questionnaire covering 22 responses they concluded that market orientation is a determinant of performance of a company. This could be affected by market turbulence, competition, technological changes etc., and that managers should endeavour to develop market orientation in their firms. The mechanisms for this could be training, better formal and informal communication channels throughout the organisation, improving technological connectivity between organisational units, a willingness to take risk despite normal marketing failures and incentives based on customer satisfaction measurements.\textsuperscript{51}

- Pai (2003) expressed that to compete effectively with MNCs, Indian companies ought to synthesise both the influential schools of thought in strategy, the positioning school and the learning school. This he felt would benefit firms on a sustainable basis.\textsuperscript{52}
2.3 Industry Related Literature Specific to Enterprises Chosen

These are specific to the industry and include unpublished ones such as NDDB’s Draft Vision 2010 document, limited circulation documents like NCDFI’s Annual Reports, GCMMF’s Annual Reports. Similarly summaries of panel discussions on Indian software industry from various issues of IIMB Management Review, summary of NASSCOM report, summary of MoU of Public Sector Undertakings for various years are some of the literature reviewed in this category.

• Jain (1992) analysed the cases of turnarounds in the dairy, edible oil and sugar cooperatives. He concluded the sickness was a result of a poor fit between the organisation and its techno-economic environment or due to poor strategic management. He suggested that turnaround strategy involved active political support (by the chairman) induction of a new CEO, getting financial support at liberal terms, raising hope among operational managers, involvement of the turnaround managers in managing the affairs without too much dependence on others, high standards of ethics and use of media to contain vested interests, quick visible results and an ability to introduce new strategies.

• Tikku (2001), in a keynote paper, highlighted the following aspects with regard to the Indian dairy industry. Indian milk production increased from 20 million MT to about 75 million MT over the last three decades. India emerged as the world’s largest producer of milk as a result. Small farmers
undertook dairying in India and the marketable surplus of milk around 100 million litres per day with the total production around 200 million litres per day. There are totally 650 plants with capacities above 10000 litres per day with total processing capacity of 65 million litres per day. The cooperative sector has 28 million litres per day, private sector 30 million litres per day and the government dairies 7 million litres per day of capacity. Opportunities exist for Indian dairy enterprises, specifically cooperatives, to compete in terms of price, quality and value addition.55

- NDDB through the draft Vision 2010, ‘Creating the Future’ document (NDDB 2000), identified four thrust areas to achieve its vision. These were cooperative business strengthening, quality assurance, and information network and productivity enhancement. Under cooperative business strengthening some of the strategies identified were increasing processing capacities both in metro and rural dairies, increasing the market shares for milk specifically in class I cities and metros by cooperatives, focus on product sales (in addition to liquid milk). In the areas of quality assurance, to meet increasingly demanding quality standards for milk and milk products, focus would be on cooperative dairy unions having HACCP certification, ISO certification and implementing operational quality assurance programmes. NDDB also identified 100 priority dairy unions implementing these strategies. A National Information Network connecting all dairy unions is also under implementation.56
• NCDFI (2003) pointed out that under Milk & Milk Product Order (MMPO), modified in 2002, the concept of milk shed was abandoned. (earlier registration of dairies only above 10000 litres per day was required). The time period required for provision of registration was reduced from 90 days to 45 days. Quality standards were extended to dairies less than 10000 litres per day. These moves reduced controls in the dairy sector. The MMPO still was balanced in favour of liquid milk availability. Given the removal of restrictions in procurement and marketing, competition increased. At the same time, the Multi-state Cooperative Act rules of 2002, though aiming to give functional and financial autonomy retained restrictive provisions on finances, distribution of surplus, restriction on holding office etc., unlike private sector ownership of enterprises.57

• Cooperatives, according to Kurien, still suffered from control under restrictive provisions of state cooperative laws. The Producers’ Companies bill though had new features retained weakness of cooperative laws. (IRMA 2003).58 It was also perceived that the proposed joint venture companies between mother dairy foods, a subsidiary of NDDB and state cooperative federations was a backdoor entry of the government to make cooperatives as public sector units.

• Heeks (1996) undertook a historical review of the Indian software industry in terms of state policy, liberalisation and industrial development. As early
as 1984, the Government of India recognised software as an industry and removed restrictions on entry into the industry. It allowed large companies and companies up to 40 percent foreign ownership into the sector. Availability of foreign exchange was made easier. 100 percent EOU by foreign companies were allowed in 1986. The period of 1987 to 1990 was one of vagueness in government policy of liberalisation of software sector. From 1991 to 1996 the software industry sector was further liberalised through mechanisms such as increase of foreign equity limits, incentives to export units, on-site work in foreign shores being treated as exports. Department of Electronics' role was modified from being a regulator to a facilitator by organisational restructuring. Import duties of software used by software user companies were reduced to 10 percent in 1995 from 110 percent in 1992. Services exports were also covered under the Export Capital Goods programme allowing low import duty for hardware imports. Based on his analysis, Heeks concluded that export focused policy support had limitations and such a growth may not be sustained. Indian enterprises, however, have shown remarkable capabilities to grow despite such views.59

- Korwar and Pathak (1991) developed a note on software industry. They highlighted that the software policy of the Government of India had four major objectives that included increasing market penetration by Indian companies in the international market, balanced development of domestic and export markets, procedural simplifications and promotion of
computerisation. They summarised government policies such as exports through satellite links deemed as exports, support for marketing efforts abroad such as permission to pay commission to foreign firms, setting up of offices abroad and higher foreign exchange allocation for foreign business tours by software companies. Software industry was exempted from the licensing requirements of Industrial Development & Regulation Act and locational bottlenecks were removed. In general, it could be inferred that the government policies were favourable to software enterprises.

• Krishnan and Prabhu (2004) examined software product development in India and derived lessons from six cases. They perceived that Indian software companies shifted gears from a “body-shopping” approach to providing software development using manpower intensive software development and allied services to international customers. Growth in such a strategy could only be achieved by deploying more software engineers. This, according to them, would create coordination problems. In addition, such a growth strategy might not sustain as the competitive advantage could be overcome by countries such as China that have lower manpower costs. They proposed an alternative business model with focus on software products. Focus could be on software product development for the Indian domestic markets that could provide a foundation for offering products in international markets. Examining product development in software industry in India, they used a qualitative
exploratory research using case method and examined six software product
development projects by Indian IT companies such as Infosys, Ramco, etc.
They highlighted that sharp definition of the target market was an
important ingredient for product development, niche products development
was a useful approach in small IT companies, technology push was the
driving force than market pull, technology choice was a strength for Indian
firms. Constraints were faced in converting customised software into
products, resolution of customised version releases; general version
releases have not been easy. Inadequate marketing tie-ups, limited rewards
for product development and need for quality systems specifically for
products were other problems faced. They proposed strategic product
planning approaches, formation of marketing consortium, better incentives
for product development and government support for creating marketing
infrastructure internationally. Firms also ought to develop domain
expertise.

- Krishnan (2002) while examining the positive trends in the Indian software
industry, highlighted the limitations of the business model of Indian
software industry that was largely based on labour cost advantage and
heavily dependent on the US market. Banking and financial services, retail
and manufacturing sectors provided significant revenues. The product
development capabilities of Indian companies were limited. The recent
diversification of Indian firms into IT consulting has not made impact and
the firms were charging lower tariffs in comparison to top consulting
firms. Even the diversification into BPO services by WIPRO and Infosys were based on cost advantage. He proposed that Indian IT firms ought to come out of this low technology trajectory by a combination of mechanisms such as joint R&D with multinational R&D centres in India, joint focus on complex government sector projects such as E-governance, exploitation of economies of scale and scope (by large firms), merger and alliances for medium sized firms. Government could improve the Indian IT industry by providing complex E-governance projects, investments in IT infrastructure in India. He felt that venture funds with understanding of the industry markets on the lines of Israel could be helpful. Industry associations could also lobby with the government to remove financial constraints that retard product development and firms could jointly develop services and products. All such measures could lead to value differentiation of Indian software sector.63

2.4 Case Studies in Other Industries

- Examples in this category include the case of Projects and Equipment Corporation by Vithal and Srivastava (2003).64

- In a study of the Indian coffee industry by Vithal (1997) looked at strategic options from an organisational perspective for the industry and proposed a three-tier structure consisting of restructured Apex Board for policy guidance, a professional body for tactical support and enterprise focus at
estate level. Another study was adaptive strategies of Indian pharmaceutical industry by Madanmohan and Krishnan (2003).

- Sinha and Jena (2002) applied the Porter's model to give a strategic perspective to the Indian steel industry and concluded that the understanding helps managers to sense opportunities and develop value added products rather than volume based ones.

- Krishnan (1998) provided insights into Strategic Planning at TELCO. He indicated that customer orientation, quality and growth from within influenced their strategic thinking. Aided by a supportive government policy, the company focused on widening the customer base by market offerings to different segments, thrust on export marketing, vertical integration, R & D and strategic alliances all aided by a supportive government policy.

- Firodia (1998) looked at Kinetic Engineering and felt that focus on exports and modern technology were strategic responses to changed market conditions in addition to alliances.

- Shah (2000) examined cases of high performance knowledge institutions and proposed that initial design and launch practices were critical for their later day successes. This has relevance for service firms that are into high
end consulting which share features in common with knowledge institutions.

- At the same time the responses of various enterprises have been mixed. Public sector companies, such as NGEF, a Bangalore based large public sector electrical engineering enterprise, turned sick despite product quality, outstanding engineering expertise and an excellent brand reputation. An important reason for its sickness was the mismatch between the requirements of the external market environment and its internal business processes that were characteristic of the pre-reforms era, forced decisions on the enterprise by the government coupled with an inability to respond to changes in the market environment unlike the company's private sector competitors (unpublished TECS report, 1995). This perhaps indicates that ownership structure and lack of autonomy have a bearing on the ability of an enterprise to respond to market changes. NGEF case is still a major issue to be resolved by the state government and raises basic questions about state ownership, its role and autonomy in management of enterprises.

- In addition another examination of Karnataka Telecommunications Limited, a state government owned public sector enterprise in Bangalore indicated that inability of an enterprise to changing environment and not launching new products in the light of changes led to poor performance (unpublished TECS report 1995).
• Inability to cope with the environmental changes and limitations of control of government on a cooperative federation were examined in a management case on marketing edible oil by a state federation (Suresh and Ramanujam, 2000).73

• In the context of rural producers’ organisations, more market oriented firms seem to perform better even if they are cooperatives and are in industries controlled by the government. This was the output of examination of a set of cases of cooperative/producer oriented enterprises (Suresh 2004).74

• Sharma (2000) examining the strategic thrusts for the Indian tea industry called for a combination of rational and creative perspectives to effectively compete in the present day market scenario rather than reliance on either one of them.75 In other papers, Sharma (2002)76 and (2004)77 proposed the concept of the character competence for building ethical enterprises. This combined with consumer activism led to a deeper relationship between the enterprise and its consumers.

• Maheshwari (2000) analysed causes of organisational decline and proposed that decline was a result of inaction and inappropriate responses of managers to the environment. As part of his analysis he indicated that Indian Telephone Industries (ITI) that was a profitable enterprise in an environment protected by Department of Telecommunications (DoT), did
not develop new technologies. After liberalisation when the environment changed and with DoT purchasing products from MNCs that entered Indian markets, ITI started declining.78

- Maheshwari (2007) analysed six cases of turnaround management in the Indian context. The firms covered were in the public sector and the private sector. The turnaround duration varied from three years to ten years. The internal factors of decline included organisational inertia, cultural rigidity, one-man empires at the top, outmoded technology for production, initiatives beyond resource, lack of organisational slack, type of ownership and erosion of distinctive competency. The external factors that caused decline were a fast-changing external environment, role of creditors during decline. He proposed an action-choice framework of organisational decline and turnaround.79

2.5 Annual Reports, Specific Literature and Studies of Chosen Firms

Quite a few in this category are unpublished ones such GCMMF’s Tryst with Quality80, KMF’s Harbinger of Rural Prosperity81, BEL’s TORQUE report82. In addition, there have been some unpublished project reports on specific themes on these enterprises that have been examined on special permission from IRMA authorities. Annual reports of these firms were also examined. There were also unpublished cases on these firms which have been scanned for understanding.
2.6 Other Literature

- Narayanamurthy (1999) provided perspectives on a few key issues on corporate governance. The most important goal of a corporation was to maximise shareholders’ wealth in a legal and ethical manner. Feudal mindset, regulations and greed hindered development of good corporate governance approaches in India. He opined that good corporate governance was a necessity. The reasons were globalisation, liberalisation process in India, opportunities for Indian employees in MNCs. Customers having a variety of choices to select from, inter-organisational collaboration calling for fairness with vendors, supporting role of the government and the pressing need to bridge the gap between the rich and the poor. He also cautioned about the role of the “owners” of the company. Having external directors based on expertise, nominations committee of external directors to recommend directors to the board and audit committee of external directors are a few suggestions. Interestingly some of these have been implemented by Infosys.

- Godrej (2004) opined that interest in corporate governance was not a new idea. It was not a management fad as ownership and management have been separated and there have been episodes of incorrect corporate practices making governance a serious issue for attention. He emphasised corporate performance, good HRM practices and democratic work culture in organisations. Corporate governance was the responsibility of all levels of employees and the share holders.
Laxmi Narain (2005) in his comprehensive book on “Public Enterprise Management and Privatisation” dealt with issues faced by public enterprise management. A limited summary of select issues from this book are highlighted in the context of this research. The issues of relevance are environment of the public enterprise, institution of autonomous PE (Public Enterprise), reasons for poor performance of PEs, issues of interface between government and PEs and marketing issues. He analysed them as below:

Environment of the public enterprise:

Public enterprises have two dimensions, public ownership and business enterprise. The environment of a PE is complex and impacts operations. In the case of public sector enterprises the objectives are many, ambiguous and fluctuating depending on government opinion. Managements are constrained from pursuing a single objective or a set of unchanging and aligned objectives unlike that of a private sector. Thus an analysis of public sector enterprises has to be seen in relation to its interface with other institutions and its environment as a whole. Many external factors affect the internal decisions of PEs.
The PE environment is influenced by a variety of institutions in a nutshell as indicated in Table 2.1.1 below:

Table 2.1.1: Public enterprise environment

<table>
<thead>
<tr>
<th>Institution</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabinet</td>
<td>Financial arbiter, capital expenditure beyond limits, mergers &amp; acquisitions, disinvestments, joint ventures, board appointments</td>
</tr>
<tr>
<td>Minister of the administrative ministry concerned</td>
<td>Informal and formal interactions with PE management</td>
</tr>
<tr>
<td>Secretary of the administrative ministry</td>
<td>Frequent interactions with PE board/Head office to monitor/communicate ministry’s viewpoint. No direct dealings with operational units.</td>
</tr>
<tr>
<td>Planning Commission</td>
<td>Project appraisal</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>Financial clearances</td>
</tr>
<tr>
<td>Central Vigilance Commission, CBI</td>
<td>Vigilance and investigation</td>
</tr>
<tr>
<td>Ministry of Labour</td>
<td>Wage aspects</td>
</tr>
<tr>
<td>Public Investment Board</td>
<td>Capital investment for projects of Rs.100 crore and more</td>
</tr>
<tr>
<td>State government where PE is located</td>
<td>Law &amp; order, power, water etc.</td>
</tr>
<tr>
<td>CAG</td>
<td>Audit</td>
</tr>
</tbody>
</table>

Source: Adapted from Laxmi Narain (2005), pp.7-8.

A public enterprise is set up based on political decisions and its activities are kept on leash at strategic points by a political control system. The administrative set up of the country influences the PE. Attempts to insulate the business aspects of a PE from the political system have not been successful. Given the critical nature of PEs in an economy and a source of power, the administration has kept it under tight control.
Institution of autonomous PE:

The broad goal to set up a public sector enterprise different from a government department was to have ownership, accountability under public form to achieve business objectives for social purposes. Genuine autonomy was idealistic. Managements were controlled indirectly and did not function as board-managed ones. Government of the day used the PE as instruments for its own unsaid policies. Thus the idea of autonomous public enterprise did not exist.

- Ramanadham (1984) while discussing the nature of public enterprises highlighted issues pertaining to the concept of market as a mechanism of decentralisation of public sector control. In his view, the limitation of market forces at the time of establishment of a given public sector enterprise may not exist thus reducing the need for controls. An enterprise may continue to be in the public sector because of government inertia to change, political constraints in introducing change or profitability of the enterprise (contributing to the exchequer). Many public enterprises are designed to have features of a monolith and dimensions of a single large enterprise (a given field of production, holding company with multiple plants are such features). He called for organisational measures to introduce competition within such monoliths. Many controls, he perceived, perpetuated themselves affecting the performance and professional management of the enterprise.\(^{86}\)
The literature review as above looked at important contributions to the strategy in the western world and the Indian context. In the case of the western world there have been different branches of thought in strategy literature (around ten as per eminent scholar Henry Mintzberg), the most influential being the positioning branch championed by Porter and the core competence aspects advocated by Hamel and Prahalad.

In the Indian context, prior to liberalisation, the focus of strategy studies was entirely on the public sector issues with little emphasis on the private sector. Cooperatives were seen as part of the extensions of the government and very few studies looked at cooperatives as an enterprise form. After liberalisation, there is increasing engagement between strategy scholars and enterprises. These have led to a variety of enterprise level studies in the Indian context. At the same time, the focus is on specific responses with some explanation of the logic behind these responses. The analysis has also been on specific dimensions of strategy and not much on the enterprise as a whole. Many studies have focused on the type of responses and not on the rationale behind them. There have been studies on organisational decline and turnaround of enterprises. Cooperatives (member-controlled enterprises) have been neglected almost entirely in the studies. Adaptation of the enterprise has also been examined in a few studies. There has been an increasing interest in competence, capability building as successful Indian enterprises are engaging themselves in culture building and strengthening of competence for gaining advantage over their competitors. Having reviewed the studies and looking at
the gaps it could be stated that there is a need to undertake further research on
the responses of different types of Indian enterprises to changes in the
environment, to understand the rationale behind these responses.
END NOTES AND REFERENCES


Manimala, Mathew (1996), "Strategic Responses of Indian Organisations to Economic Liberalisation", Social Engineer, pp. 34-55.


82 Bharat Electronics Ltd (2004), TORQUE study.
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