PREFACE

Under the impact of rapidly shifting markets and expanding technology, the industrial environment of India is undergoing a profound structural change. In the current quick-paced industrialisation, almost every businessman, whether eagerly or reluctantly, whether in the spirit of availing himself of an opportunity or of meeting a threat of competition, is getting into the new product race. The resultant total new product race or diversification of hordes of industrial firms obviously causes strategic changes to the industrial structure and also influences the realisation of general goals of an economy.

Since portraying the industrial profile of a resurgent India is a fascinating task, the present study, which is the outgrowth of an empirical investigation, concerns itself with the problem of product diversification in the Indian manufacturing industry in the private sector. It outlines a comprehensive view of the inter-industry structure of diversified concerns and examines the magnitude and trends in the current diversification movement. It also attempts to answer the question why some companies confine their activities within a narrow ambit of their primary
industry; whereas others are more wild in spawning the new and unrelated ventures. In addition, the study analyses the characteristics of diversifying companies, the variety of motives, conditions and environments which either induce or compel the companies to cross the boundaries of their primary industries, and the characteristics of industries frequently encroached upon by the diversifying concerns.

The scope of the study embraces the activities of multi-production rather than multi-trading companies, and excludes certain aspects of diversification, particularly the decisional questions confronting the management for specific decisions on issues such as: should one diversify? If so, How? And, to what extent?

The manufacturing industries and firms selected for the study have, however, not been selected on a random basis. These have been selected in the light of the availability of data, keeping in view the objectives of the study.

The study is organized along the following lines:

As introductory material the first two chapters, a portion of the third chapter and Appendix I: (A) present a historical resume of diversification; general environmental background of the Indian Industry; implications of diversification on growth, stability, flexibility and efficiency of the company and of the economy as a whole; (B) give an account of inductive hypotheses relating to characteristics
of diversifying firms and industries; and also amplification of terms, concepts and issues; and (C) portray an analytical framework of the nature of diversification i.e., functional relations between various activities straddled by companies. The succeeding chapters (Chapter IV to VIII) constitute the core of the study involving a penetrating analysis of the nature of diversification in three segments of manufacturing industry viz., consumer goods, intermediate goods, and capital goods industries. This has been done on the basis of case histories of 100 companies representing 11 manufacturing industrial groups. Here an attempt is made (1) to examine the magnitude, direction and trends (over the period 1921 - 1967) in diversification and (2) to analyse the relationship of diversification vis-a-vis company characteristics such as size, growth, age, profitability, and financial policies, and industry characteristics such as growth, technological sensitiveness, economic instability, seller concentration, size ratio of plant, and profitability. The last chapter is devoted to a compressed analysis of certain related issues affecting diversification and their policy implications. This chapter also projects some issues for further probing and investigation.

As to the acknowledgements, a primary obligation with a deep sense of gratitude must be expressed to my esteemed guide Professor T.N. Kapoor, Head of the Department of Commerce and Business Management, Panjab University, who
not only introduced me to the subject but also ungrudgingly accepted the responsibility of supervising my work. In fact, without his constant encouragement and guidance, I doubt whether this work would have consummated at all. I am also deeply indebted to my wife for the general support she gave and her uncomplaining acceptance of the hardship caused by my being required to finish the task a little earlier than the anticipated date in order to enable me to avail myself of the Fulbright Travel Grant for further study in the United States of America.

I am thankful to the Panjab University and the University Grants Commission for giving me some financial support for the collection of data and field investigation. I am also thankful to company managements and to some Government agencies such as the Directorate of Research and Statistics, Company Law Board, Government of India for permitting me to use the available information and copies of Annual Reports and Accounts of the companies selected for study. I also owe much to my innumerable friends and colleagues who have helped me in various ways in the completion of this work. In particular, I am obliged to Dr. Pareshnath Chattopadhyay of the Delhi School of Economics for his helpful comments on certain portions of the manuscript, and to Sarvshri Krishan K. Mangla, Ramesh K. Dixit and P.N. Malik for assistance rendered in comparing the
typed material. Thanks are also due to Mittal Typing Institute for typing the manuscript.

Last, but by no means least, I must acknowledge my deep debt of gratitude to Prof. Michael Gort whom I do not know personally, but whose study "Diversification and Integration in American Industry" for the National Bureau of Economic Research (U.S.A.), inspired me to undertake this work under Indian environments. With some digressions, this study, in general, follows the path paved by him.

HARBANS LAL DHINGRA

PANJAS UNIVERSITY
CHANDIGARH