Chapter – II
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Introduction

The Indian Dairy Industry, world's largest producer/supplier of milk, has revolutionized the milk production and supply. Dr. Varghese Kurien, who rewrote the rules of the game of Dairy Industry, ushered in the **White Revolution**. This Industry is now supporting millions of farmers across rural India through a large number of milk co-operatives. This movement has ensured a number of benefits to the farmers. These benefits comprise of both financial and non-financial. They include, among others, assured market, a reasonably remunerative, fixed and assured price, relieving them from the clutches of middlemen, etc. The last benefit is, in fact, one of the important objectives as to why milk unions were set up in the country. The Industry has been witnessing rapid and substantial changes in its outlook to business, growth, diversification, etc. As a result, one can find the introduction, by the Dairy Industry, of scientific methods of procuring, processing, packaging, and distributing milk to millions of homes in the country.

**Indian Dairy Industry**

The Indian Dairy Industry, a traditional and rural-based industry, has witnessed far-reaching changes in the recent past in the way it has operated and looked at business. Starting traditionally from its nascent stages way back in the early 1950s, the industry has seen continuous and rapid strides in its growth. The beginning of the change process was initiated by Dr. Verghese Kurien, who has, with his dedicated team all over the country, brought in far-reaching changes in the business prospects of the Dairy Industry. This is virtually changing the economic
scenario of millions of milk farmers in the country. In addition to this, the white revolution has also ushered in the use of modern technology in milk production, processing, packaging, distribution and storage of milk and milk products. The Industry has grown in size formidably over the last five decades with the establishment of milk unions all over the country on the model of AMUL - Anand Milk Union Ltd which, incidentally, has now become a strong brand name to reckon within the Indian Dairy Industry.

**Karnataka Co-operative Milk Producers’ Federation Limited (KMF)** which was established on May 1, 1984 has taken, on its part, tremendous strides in its operations all over the state of Karnataka. The Federation has now established 13 Milk Unions which cater to almost 35% of the population of Karnataka through its Milk Unions dotted in major cities of Karnataka. Over the last two decades, KMF has met with a good degree of success in marketing its brand of milk and milk products all over the state. A few important aspects presented in the following table substantiate the continuous expansion in, and growth of, activities of KMF.
### Table - 2.1: Mile Stones – The Path Treaded by KMF

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestones</th>
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<tbody>
<tr>
<td>1955</td>
<td>• First dairy in Karnataka was set up at Kudige in Kodagu District on January 8, 1955</td>
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<td>1965</td>
<td>• Biggest dairy in Karnataka with 1.5 lakh litres per day of liquid milk processing facility set up at Bangalore on January 23, 1965; and expanded on February 1, 1981</td>
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| 1974 | • World Bank aided Karnataka Dairy on June 19, 1974  
       | • Development project implemented to September 30, 1984  
       | • Established Karnataka Dairy Development Corporation (KDDC) on October 11, 1974 |
| 1975 | • First spearhead team is positioned, July 1, 1975  
       | • Established first registered Milk Producers’ Co-Operative Society on November 20, 1975  
       | • Government Dairies transferred on December 1, 1975 |
| 1976 | • First Registration of union on November 23, 1976 |
| 1980 | • Karnataka Milk Products Limited established on March 1, 1980 |
| 1982 | • First milk product dairy started at Gejjalagere, Mandya on June 12, 1982 |
| 1983 | • Corporate brand name “Nandini” from February 13, 1983  
       | • First cattle feed plant commissioned at Rajanakunte on March 21, 1983 and Capacity expanded from 100 mt to 200 mt on June 1, 1997 |
| 1984 | • Nandini Sperm Station (formerly known as, Bull Mother Farm and Frozen Semen Bank) commissioned on January 01, 1984  
       | • Operation Flood - II implemented from April 01, 1984 to September 30, 1987  
       | • Karnataka Milk Federation born on May 1, 1984  
       | • KDDC transformed into KMF on May 1, 1984  
<pre><code>   | • KMPL assets transferred to KMF on November 15, 1984 |
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<table>
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<tr>
<th>Year</th>
<th>Event</th>
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| 1985 | • Product Dairy, Dharwad commissioned on September 12, 1984  
      • Mother Dairy started functioning from December 7, 1984  
      • Remaining government dairies transferred to KMF on February 14, 1985 |
| 1987 | • Operation Flood - III implementation from April 1, 1987 to March 31, 1996  
      • Dairies at Hassan, Tumkur and Mysore transferred to district milk unions on June 1, 1987 |
| 1988 | • Dairies at Bangalore, Gejjalagere, Dharwad, Belgaum and Mangalore transferred to district milk unions on September 1, 1988  
      • Training centers at Mysore, Dharwad and Gulbarga transferred to unions on December 1, 1988 |
| 1989 | • Milk supply to Kolkata through railway tankers from Mother Dairy, Bangalore from March 3, 1989  
      • Centralized marketing organized from May 1, 1989  
      • Last milk shed registered as a union (Raichur and Bellary Union) on December 12, 1989 |
| 1991 | • KAFBA (Karnataka Holstein Friesian Breeders Association) registered on March 25, 1991  
      • Chilling and processing plants at Bijapur, Gulbarga, Bellary, Shivamogga and Kolar transferred to District Milk Unions on August 1, 1991  
      • First pilot project on embryo transfer technology implemented in 1991 |
<p>| 1992 | • Commercial production and marketing of Nandini flavoured milk launched in September 1992 |
| 1995 | • Varieties of new Nandini products viz., Nandini Paneer, Burfi, Khova and Sweet Curd launched in December 1995 |
| 1996 | • Foundation stone laid for cattle feed plant at Hassan on February 9, 1996 and production started from September 9, 1998 |</p>
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<tr>
<th>Year</th>
<th>Event</th>
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| 1997 | - Foundation stone laid for Pouch Film Manufacturing Unit at Munnekolalu, Bangalore district on March 1, 1996 and production started on September 9, 10098  
- Foundation stone laid for Mega Dairy and New Powder Plant at Bangalore Mini Dairy on November 1, 1996  
- Inauguration of ice cream manufacturing unit at Mother Dairy Premises, Bangalore on June 12, 1007 |
| 1998 | - Launching of new products - Jamoon Mix (March 1998), Mysore Pak (December 1998), Tetra Fino Packaged Nandini, Good Life (March 1999), Badam Powder (January 17, 2000), Kunda (January 2003), Yoghurt (August 2004), Besan Laddoo (September 2004), and Good Life High fat milk (December 2004) |
| 2000 | - MoU between GoK and NDDB for implementation of Perspective Plan, 2005  
- Chilling Center of 150 TLPD capacity at Hosakote started in Bangalore Union in February 2000  
- Mega Dairy started functioning in Bangalore Union from December 17, 2000 |
| 2001 | - Starting of sales depot at Mangalore on September 2, 2000 in addition to depots at Bangalore, Hubli and Thirupati |
| 2002 | - Launching of Nandini Good Life Slim on May 19, 2002  
- Launching of Good Life 200 ml Tetra brick on July 8, 2002  
- Adoption of Mnemonic Symbol in Bangalore, Dakshina Kannada and Mysore on January 5, 2002  
- Nandini Shop on Wheels started (mobile display-cum-sales vehicle) and powder plant of 30 mt capacity started at Mother Dairy on October 15, 2002 |
| 2004 | - MoU signed by GoK and NDDB for implementation of Perspective 2010 with an outlay of Rs.250 crore on November 10, 2004 |
Strategic Assets

The term **strategic asset** denotes the key resources which a company may own or have access to, and which are critical to the company's long-term development and success. A well-known example of such an asset is the patent which would enable a company to reap the benefits of innovations enabling it to produce quality goods and services with minimum cost. It also protects its inventions from its unauthorized use by the competing companies. A less well-known example is design right which a company may have registered for an innovative packaging system that it has developed. Equally, location may be regarded as a strategic asset, if it adds value to customers. These examples show that the strategic assets may be tangible or intangible in nature. There are many other but less known company resources which are considered to be strategic assets. However, these resources (of the company) are known as **unique resources** which are good description of them, even if it is not strictly correct in the true meaning of the term. Within the context of corporate management, a resource may be thought of as unique, (a) if it is difficult to obtain or develop, (b) if it is difficult for other companies to copy, and (c) if it is vital for the development of the company. Companies that possess effective strategic assets will be able to sustain an advantage over competitors, and they can achieve higher margins and profits leading to their faster growth. Within this approach, the resources that are available to a company are considered in much broader sense than in the traditional definition of resources i.e., land, labour and capital. The new broader definition of resources includes many more factors within the company's operating environment, many of which are intangible resources. There are
several ways of classifying these resources. However, the most useful of these is the one suggested by Hofer and Schendel which divides corporate resources into the following broad categories.

- Physical,
- Financial,
- Human,
- Technological,
- Organizational, and
- Intangible.

Among these resources, brands, patents, know-how, reputation and customer relations are included. These are the resources which may be owned by a company and the same may be utilized to develop competitive advantage, and to achieve improved results - profits and growth.

These resources are of critical importance to the operations of many companies and they may be the main contributors to the profits and growth of the company. However, they are often not included in the balance sheet of the company. This exclusion can result in a distorted view of the company and its assets, and may hinder any analysis of its performance. If some of the main assets of the company are excluded from its accounts, it may become difficult to understand the operations of the company in its market place and may lead to a serious underestimation of its growth prospects.

The above resources may contribute to the profitability of the company but not all of them will contribute equally to achieve a competitive advantage for the company. Only certain types of resources will enable
the company to develop a long-term competitive advantage and these are known as **unique resources** or **strategic assets**. These are the key resources that a company owns and/or has access to that may enable it to achieve a sustainable competitive advantage over its rival companies. Almost any type of resource may be developed into a strategic asset, both tangible and intangible, but it must possess certain features if the resource is to be effective in gaining an advantage. Because, **strategic assets are the company resources whose value to the company is greater than the cost of their acquisition or development, and which may contribute to the long term growth of the company.**

Usually, the total value generated by these strategic assets is considerably higher than their costs of acquisition and/or development. If it could be measured accurately, it would be equal to the discounted value of future revenue stream (which the strategic asset will generate) minus the cost of acquisition and development. For a resource to be considered as a strategic asset it should be critical to the company's development - it should have a major impact on its profitability and it should be long lasting. Such a resource could be in the form of a license which the company has acquired (which will enable it to offer new profitable services to consumers) or a new process that the company has developed (which will provide it with a new profitable revenue stream).

The definition also relates to a very important aspect of unique resources viz., their value depends on the perception and ability of the company that possesses them. The consequences of this are very important. Because,
one company may undervalue a resource if it does not recognize its potential, while another company (because of its vision and abilities) may see the same resource in a very different light. Therefore, this gives rise to a phenomena which is seen all the time in management i.e., under performance of one company due to the above factors and the higher performance of another company with similar or lesser resource endowments. This in turn gives rise to the constant merger and acquisition activity present in the economy as companies bid for and acquire resources that they can see a better use for. Some good examples of generic strategic assets which meet most of these conditions are Copyrights, Brands, Proprietary Technology, Exceptional Research Capabilities, Highly Skilled Staff, Systems, Databases, Effective Processes and Procedures, etc.

It should be noted here that the word unique is used to mean rare or nearly unique rather than the strict dictionary definition of the word. Another important aspect of these resources is that, it is very difficult for the competitor-companies to replicate. Such resources, if effective, present a considerable barrier to entry into the market. This is true even in the case of Dairy Industry and KMF. Because, in the case of KMF, one can find a few strategic assets which are capable of contributing heavily to the success of the Federation and its milk unions and members.
Creation of Superior Customer Values

Analysis of performance of corporate enterprises shows that they are successful because they satisfy their customers’ needs. And the companies which do not satisfy these needs perish eventually. Thus, to survive in a competitive environment, companies need to make the best offers to attract and keep customers. This leads to questions like, how does a company effectively compete in the marketplace? How does it make better offers? While the answers to the questions like these are complex, it is business wisdom to believe that to compete effectively, companies need to differentiate themselves. Differentiation pressures generally cause companies to innovate their products as well as business models. In order to innovate, which is difficult to do in a vacuum, companies need to stay close to their customers and practice market orientation. Unfortunately, market orientation does have its limits viz., market oriented firms are generally unable to innovate outside of customers’ value systems. To free themselves from these limits, companies practice value innovation in addition to market orientation.

Hence, organizations strive to show the natural progression from market orientation to value innovation. Further, this practice of value innovation creates a superior customer value not only in current, but also in emerging markets. In fact, value innovation helps companies with creation of new markets. In addition, the companies will have to demonstrate that value innovative companies make competition irrelevant by creating superior customer value curves. In order to examine value innovation, however, one needs to understand the importance of innovation in general. Further,
one needs to understand that market orientation strategy plays a key role for innovative companies. Lastly, one should examine key value innovation concepts and strategies.

Value Innovation
The value innovation concept essentially describes various strategies companies ought to take in order to create breakthrough value curves for their customers. Value innovation helps companies with the creation of superior value to achieve and maintain market advantage. In concept, value innovation essentially enables companies to stay ahead of competition as they continually redefine the environmental landscape. A position of super customer value is achieved when the seller creates more value for the customer than does a competitor.

In its core, value innovation goes beyond market orientation that tends to be largely constrained by market boundaries. Thus, the concept of value innovation stresses the importance of breaking away from the pack of competitors. Without doing so, companies employ strategies that eventually result in similar dimensions. With value innovation on the other hand, companies are able to execute their strategy in a similar fashion to that of starting a new business, whereby their products are ahead of the competition and in many cases, even ahead of their customers. Moreover, companies that use value innovation often create fundamental “shifts in attitudes, behaviour, and structures of competitors, allies, potential partners, investors and other industry actors”.
Value innovative companies often begin by questioning their current business models. A similar value innovative strategy is to look “across strategic groups within industries”. Using this approach, companies still look for new markets and market segments, but instead concentrate their focus across companies that pursue similar strategies. Another value innovative strategy is to look “across the chain of buyers”. While many companies look at their customers, value innovators look at the entire chain of buyers such as their customers’ customers. This notion is similar to derived demand. However, value innovators look at it from the point of innovation and not simply demand for existing products. In addition to these value innovative concepts, companies also need to look “across functional and emotional appeal to buyers”. By creatively thinking about the customers’ current and latent needs, value innovative companies create a leap in value that is difficult to follow. One should note that this strategy is by no means impossible to imitate or follow. Its benefits really vary depending upon the industry and its competitive players.

Customer value is created when the benefits to the customer associated with a product or a service exceed the offering’s life-cycle costs to the customer. Benefits are made tangible for the commercial customer through increased unit sales or increased margins. Life cycle costs include search costs, operating costs and disposal costs as well as purchase price.

Market orientation is complementary to value creation - the latter is an extension of the former. To achieve superior performance, a business must develop and sustain competitive advantage. But where competitive
advantage was once based on structural characteristics such as market power, economies of scale or a broad product line, the emphasis today has shifted to capabilities that enable a business to consistently deliver superior value to its customers. This, after all, is the meaning of competitive advantage. Recent studies show that a market-oriented culture provides a solid foundation for these value creating capabilities. However, value innovation goes one step further by redefining markets and offering a leap in value for customers. In addition, unlike the market-oriented firms, value innovators often reinvent themselves as well as their respective industries. Thus, it is apparent that value innovation not only extends market orientation, but also takes the concept further by establishing a platform for groundbreaking changes that benefit both the customer and the company.

A business is market-oriented when its culture is systematically and entirely committed to the continuous creation of superior customer value. Specifically, this entails collecting and coordinating information on customers, competitors, and other significant market influencers (such as regulators and suppliers) to use in building that value.

The three major components of market orientation - customer orientation, competitor focus, and cross-functional coordination - are long-term in vision and profit-driven. A developing stream of empirical research has found a strong relationship between market orientation and several measures of business performance including profitability, customer retention, sales growth and new product success.
Customer Orientation

The heart of a market orientation is its customer focus. To create superior value for buyers requires that a seller understands a buyer's entire value chain, not only as it is today but also as it evolves over time. Buyer value can be created at any point in the chain by making the buyer either more effective in its markets or more efficient in its operations.

A market-oriented business understands the cost and revenue dynamics not only of its immediate target buyers but also of all markets beyond, for demand in the immediate and "upstream" markets is derived from the demand in the original "downstream" markets. Therefore, a market-driven business develops a comprehensive understanding of its customers' business and how customers in the immediate and downstream markets perceive value.

Employees of market-oriented businesses spend considerable time with their customers. Managers and employees throughout the business call on their customers or bring them into their own facilities in a constant search for new ways to satisfy their needs. Market-driven businesses continuously monitor their customer commitment by making improved customer satisfaction an ongoing objective. To maintain the relationships that are critical to delivering superior customer value, they pay close attention to service, both before and after sales. Because of the importance of employees in this effort, these businesses take great care to recruit and retain the best people available and provide them with regular
training. Involving customers in these key areas forges strong customer loyalty.

It is not uncommon in management research to be faced with concepts and ideas that appear to rest on commonsense and intuition, and yet at an operational level defy easy definition and use. Market orientation is a case in point. Broadly, market orientation is concerned with the processes and activities associated with creating and satisfying customers by continuously assessing their needs and wants, and doing so in a way that there is a demonstrable and measurable impact on business performance.

**Importance of Market Research in achieving Superior Value and in Satisfying Customers**

Seriously though, it is important to do market research because different areas of the world have different needs, values, cultures, etc. It is necessary to learn about the people we are advertising to, and to effectively market to them, look at buying trends, to understand consumers so that the firm can present its product in a way that they believe they need it, look at other marketing schemes in an area, were they effective? What is the most visible type of media in the area (i.e., radio, television, print, etc), what kind of products do well in the area, what others don’t?

It is, therefore, pertinent to note that the intelligence generation is of paramount importance since it has a direct linkage to the super customer value creation. It has become conventional wisdom that an organization’s
ability continuously generates intelligence about customers’ expressed and latent needs, and about how to satisfy those needs, is essential for it to continuously create superior customer value. Hence, the strong linkage between intelligence-generation strategy and super customer value is established.

In this study, effort has been to highlight on the intelligence-generation for KMF. One, directly from the customers of KMF – the dealers/retailers spread over a geographic area of Bangalore, Mysore, Mandya, Kolar, Tumkur, Shivamogga, and Dharwad Districts. Two, directly from the customers’ customers – i.e., the consumers of KMF milk and milk products, spread over the above revenue districts where KMF largely sells its products. The research time and writing occupies predominant importance from the fact that superior value creation strategies for KMF will evolve from its market orientation strategies and thereby creating superior values.

Statement of the Problems
However, the Federation (KMF) is facing several problems which are directly affecting its further growth. Financial performance/results of majority of the milk unions is a matter of worry for the KMF’s top management which is now striving hard to see the turnaround of all the unions attached to it (i.e., to KMF). Because, majority of the Unions are reporting dismal financial performance year after year and therefore, they are in the red.
A recent study concentrated on the organizational study of not only Karnataka Co-operative Milk Producers’ Federation Limited (KMF) but also of several other milk unions across the states of Kerala, Tamil Nadu and Andhra Pradesh. It has highlighted that the milk unions are not in a position to combat effectively the increasing inflow of milk from different milk co-operatives in the country. This excess inflow of milk is a cause of concern for KMF also as it has to devise plans to utilise the excess milk profitably.

The Federation has been trying out several ways including the alternative ways of utilizing the excess milk inflow. It has been continuously trying out on creating value adding products like Skimmed Milk Powder, Butter, Ghee, Pedas, Buttermilk, Flavoured Milk, Ice Creams, Badaam Powder, Cheese, and even Mysore Pak. These efforts have never been as heightened in the recent past as could be observed today in the form of hectic marketing efforts of KMF in appointing several wholesalers, retailers, and even franchises and vending booths to sell these products. Unfortunately, all these efforts have not yielded the desired results. All these show that there are several inherent bottlenecks in the system of distribution and promotion of the products.

Efficient management of Strategic Assets lays emphasis on maximizing profits through the introduction of effective and whole-life management strategies for critical strategic assets like, Brand Image, Superior Service Delivery, Superior Distribution Channels and Product Quality. Efficient
management of strategic assets facilitates asset managers in making improved decisions.

It is also crucial for the industry and its members to manage the strategic assets efficiently and to understand how cross functional departments actually contribute to acquiring distinctive competencies and in achieving effective service delivery.

This study intends to provide feedback tailored for the Dairy Industry which is subject to increasingly tighter regulatory controls, and limited by finite resources for upgrading their assets. These areas include customer requirements, and superior and innovative distribution system aimed at creating superior customer values and improved performances. And all these issues need a thorough analysis/evaluation to find out how improved/superior values can be created by managing its strategic assets efficiently and effectively by KMF.

An Overview of the Literature
The objectives of this section, through the review of existing literature and the earlier works on the topic/subject of this study, are two. One, to obtain a greater insight into the subject matter and/or to develop a clear conceptual framework. Because, as the present study is concerned with the management of strategic assets of KMF, it makes a critical analysis of the strategic gaps of the organization as well as service delivery gaps. It may be noted at this stage that the research in the area of management of strategic asset is still in nascent stages. Since it is a recently emerged
concept in management, the books and literature on this area are very limited. This review, therefore, enables the Researcher to develop a clear conceptual framework for the study. The second important objective of this review is to identify the research gap that exists at present. This review is made under two heads viz., (01) Works relating to Dairy Industry and (02) Works relating to Strategic Assets. With these objectives, a brief review of some of the important and relevant studies is made and presented in the following paragraphs.

01. Works relating to Dairy Industry

Way back in 1960s, the Union Government of India constituted a Working Group on Animal Husbandry and Dairy Cooperatives and this Group has observed the increasing awareness of animal husbandry and dairying as an integral part of sound system of diversified agriculture in which crop production and animal husbandry are dovetailed for efficient and economic utilization of land, labour and capital. After a comprehensive analysis of working of Animal Husbandry and Dairy Cooperatives in the country, the Group came to the conclusion that the cooperative milk societies are not functioning properly and those functioning are not supplying regularly. The reasons are many and varied including low price compared to private vendors, adulterated milk, private vendors, etc. Sri. D. S. Jithendra Kumar and Sri. H.G. Shankara Murthy (1972), in their research paper entitled Impact of Dairy Cooperatives on Income and Employment in Chittoor District, Andhra Pradesh - An Economic Analysis, found that the income earned by the members of societies from dairying was more than non-members. It was also found
that agricultural labour and non-agricultural labour earned more income from dairying than small farmers from their crop production. The employment opportunity generated to members was also significantly more (121.5 days in Area - I and 111.2 days in Area - II) compared to non-members (76 days in Area - I and 53.3 days in Area-II). Thus, they concluded that the dairy cooperatives contribute significantly to the process of generating more income and employment opportunities to the dairy farmers.

Sri. Reddy (1977),\(^3\) in his article entitled **Impact of White Revolution on Labour Standard of Living**, made a study of impact of white revolution on the standard of living of labourers. After a comprehensive study, he concluded that dairying creates 45% of extra work as against mixed farming and 92% more as compared to arable farming. Further, he noted that having a dairy makes the farm a commercial enterprise. Sri. Karan Singh and Others (1979)\(^4\), in their research paper entitled **An Analysis of the Impact of Diversification on Productivity, Income and Employment on different Categories of Farmers in Punjab**, opined, based on factual analysis, that introduction of dairy activities in the cropping plans enhances not only income and employment but also productivity of farming. Further, they pointed that the milk which had only **use value** now has **exchange value**. As the producer markets milk twice a day and collects cash daily, it is a tool for wealth building by farm-brethren, they concluded.
Smt. T. Usha Rani, et al. (1992), in their article entitled *Impact of Milk Producers’ Women Cooperative Societies on Milk Production and Marketed Surplus of Milk in the Chittoor Milk Shed Area, Chittoor*, have found from the longitudinal study that the milk producers’ women cooperative societies made a positive and significant impact on the levels of production, consumption and marketed surplus of milk. The percentage of marketed surplus of milk to total milk produced also increased indicating the pivotal role played by the cooperatives in providing marketing facilities for milk produced on their members’ households. Sri. S. Chahal and Shri. K. S. Gill (1993), in their research paper entitled *A Study into Factors affecting the Marketed Surplus of Milk of Members and Non-members of Milk Cooperatives in Punjab*, concluded that the milk cooperatives provided dairy inputs and extension services in a better way leading to relatively higher milk production with the members than the non-members. Consequently, the members generated larger surpluses than the non-members inspite of the fact that members consumed relatively larger quantities than the non-members. This shows that the milk cooperatives watch the interest of milk producers in a better way than the private milk buyers. Hence, there is need to cover all the milk producers by expanding the milk cooperatives in rural areas. This will not only augment the milk production but also help the milk producers to improve their economic conditions.

Sri. P. Margoob Hussain, et al. (1995), in their article entitled *Dairy Farming – A Subsidiary Occupation for Small Farmers and Agricultural Labourers*, concluded that the dairy farming is a better and
profitable subsidiary occupation for small farmers and agricultural labourers. Sri. Himmat Singh, et al.,(1996), in their research paper entitled **Comparative Economics of Co-operative and Private Sector Milk Plants in Haryana**, made an attempt to compare the efficiency of milk plants in the co-operative and private sectors in Haryana State. For this purpose, two milk plants in the co-operative sector (viz., Jind and Ballabgarh) and the only milk plant in the private sector at Pehowa were selected. The comparative efficiency of milk plants in both the sectors was assessed on the basis of costs and returns in respect of business handled by them. Besides the cost aspects, the market performance of these milk plants was evaluated by estimating the rate of return on investment and break-even point in respect of individual milk plants.

**02. Works relating to Strategic Assets**

Sri. Itami, H (1987), in his work **Mobilizing Invisible Assets**, analysed various dimensions of strategic assets from the view point of organisations and observed that the strategic assets of a firm are often invisible - the result of the pattern of collective learning in that firm or arise from unexpected events that create potential rents in the presence of isolating mechanisms. Sri. Prahalad C. K and Sri. G. Hamel, in their research paper entitled **The Core Competence of the Corporation**, opined that a firm succeeds by developing strategies that cultivate its unique core competencies or build on its dominant logic i.e., for superior performance, these strategies exploit a firm’s strategic assets. Sri. Barney, J. B (1991), in his article entitled **Resources and Sustained Competitive Advantage**, opined that the resource-based view of the firm
seeks to focus the attention of researchers and managers alike on the unique and hard-to-copy strategic assets of the firm. Barney proposed that, in addition to being valuable, resources should possess the key attributes of being rare, imperfectly imitable, and no substitutable. Sri. Schulze, W.S (1992), in their research paper entitled The Two Resource-Based Models of the Firm: Definitions and Implications for Research, concluded that the strategic assets provide the firm with a source of steady stream of rents so that it gains a sustained competitive advantage over its rivals. While researchers in this area have a general agreement over the characteristics of strategic assets (albeit adopting slightly different terminology occasionally), more rigour is required to understand how firms translate the value of strategic assets to economic rents/superior values. Differences in the perspectives adopted by researchers generate different implications regarding the source of sustained competitive advantage.

Sri. Rahul Kochhar (1997), in his research article entitled Strategic Assets, Capital Structure, and Firm Performance, felt that the possession of strategic assets is a necessary condition for sustained competitive advantage. This condition is, however, not sufficient. Firms require financial management capability to realize the rents present in their strategic assets. The firm-specific nature of strategic assets implies that they be financed primarily through equity, other less specific assets should be financed through debt.
On the lines of the above, a number of works have been completed in the past concentrating on one or other micro aspect of either dairy industry or strategic assets. But they are not comprehensive as majority of the works are in the form of articles wherein one minute aspect is analysed from the viewpoint of one or the other unit/area. This reveals that no study has been done in the past on the topic of the present study viz., management of strategic assets for creating superior values with reference KMF. Hence, this study is an attempt to fill, to some extent, the research gap that exists at present.

Objectives of the Study
The primary objective of the Study is to show how the efficient management of its strategic assets creates and adds value to service delivery of KMF. The other important objectives of the Study (which are centered around this primary objective) are presented below.

01. To analyze the performance of KMF with special reference to its service delivery;
02. To evaluate the efficiency and effectiveness with which the Federation has managed its strategic assets to reap the maximum benefits in the form of creating and adding values;
03. To identify the areas wherein it has failed to create maximum value and to show how superior value can be created by the Federation by managing its strategic assets efficiently; and
04. To offer suggestions to improve the overall performance of the Federation through the management of its strategic assets.
Scope of the Study

The study concentrates on researching how management of strategic assets by the Milk Federation will influence and increase its overall competitive standing in the market and its overall effect on increasing business base. This study, therefore, makes deeper probing by personal; one-to-one interview, based on questionnaires, with sufficient scope for questions to give scope for creative and proactive suggestions by the people who matter in position. Explorative study of the research topic is limited to researching the key areas of the topic by structured interview techniques across the Industry. Descriptive study is limited to the theoretical bases of the study, the industrial background, and analysis and interpretation of the factual data.

The study covers the geographical areas of Karnataka Co-operative Milk Producers’ Federation Limited (KMF) which includes the cities of Bangalore, Mysore, Mandya, Kolar, Shivamogga, Dharwad and Tumkur. The Study concentrates primarily on the KMF-based milk unions. These seven Milk Unions situated in the above cities are fairly representative of the KMF operations, and hence, the study is primarily confined to these unions with particular reference to management of strategic assets concerning service delivery, brand loyalty and customer segments.

Sources of Data

This study is based on both the primary and the secondary data. Primary data are collected through structured interviews with customers, milk suppliers, distributors, and the retailers. However, secondary data are also
used to support the theoretical and statistical support required to build up
the tempo to the research work. Journals, magazines and reports of the
World Dairy Industry and e-sources are the important secondary sources
from which the additional data required for the present study are
collected. Published Doctoral theses, dissertations, business newspapers,
business magazines, etc are also used for literature support in
accomplishing the data mining towards completion of the Study.

Sample Size and Statistical Tools
The study is one of management problems at the top echelons, but related
to strategizing its operations from the grass roots. In a way, this study will
have multifarious ramifications in reaching the desired Research
objectives and thereby has to be studied in a wider angle. Hence,

- a sample size consisted of 100 respondents in each of the
  6 target markets of Mysore, Mandya, Kolar, Shivamogga,
  Dharwad and Tumkur, and 800 respondents from
  Bangalore city are selected from the consumer category
  (making the total 1,400), and

- atleast 25 retailers in each of the target markets (other
  than Bangalore) under study and 75 retailers from
  Bangalore city (making the total sample size of 225) are
  selected from retailer category.

The data collected is analyzed with the help of appropriate statistical tools
and techniques for arriving at the accurate findings and conclusions. The
popularly accepted hypothesis testing methods viz., ANOVA and Paired
Sample Tests are used.
Hypothesis
The study aims at testing the hypothesis that by managing the strategic assets efficiently, it is possible for the milk unions and the Federation to develop effective service delivery.

Chapter Scheme
Entire research report is presented in six chapters as presented below.

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The first chapter introduces various aspects of Indian Dairy Industry plotting its nascent beginnings to its current status in the country. It gives a bird’s eye view of the Industry in its contribution to the Indian economy. It goes further to define the statement of problem of the study which intends to provide feedback tailored for the Dairy Industry which is subject to increasingly tighter regulatory controls, and limited by finite resources for upgrading their assets. These areas include customer
requirements, and superior and innovative distribution system aimed at creating superior customer values and outstanding performance. A brief profile of the Indian Diary Industry is also made in this chapter giving a bird’s eye view of the industry from its beginnings way back in 1950 to its current status. The state of the Indian economy, being predominantly agriculture based one, has its negative impact on the subsistence living of the poor Indian farmer. Over a period of time, the poor farmer has sought avenues to support his income. He has looked to dairy farming as an effective way to combat this. The transition from subsistence living to diary farming has been plotted in this introductory chapter. The chapter further portrays, in detail, the dairy movement in India discussing a host of relevant issues like dairying as the instrument of social change, Amul and evolution of Anand Model, Operation Flood, NDDB, modernization, changing market profile, the heritage of Indian milk product, consumption trends, global opportunities, milk production statistics by species, international dairy trade, barriers to international trade, future prospects for the Indian Dairy Industry and WTO issues concerning the dairy industry are discussed in detail in this chapter.

The second chapter dwells on introducing the Indian Dairy Industry and the beginning of the White Revolution which was ushered in by Dr. Verghese Kurien. It also gives an introduction to KMF and defines the terminology of strategic assets and unique resources. This chapter further highlights the statement of problem and goes further to overview of the literature in detail. The objectives of the study, scope of the study, sources
of data, sample size and statistical tools, hypothesis and chapter schemes are detailed in this chapter.

Chapter three presents a brief profile of Karnataka Co-operative Milk Producers' Federation Limited giving a full view of the organization from its initial beginning to its current status. Key information on its vision, mission, growth path, organization structure, role and functions, and finally, a bird's eye view on the all the milk unions in Karnataka is presented in this chapter. This chapter highlights the employment opportunities generated by KMF, research and development activities, and also the perspective plan for 2010. Other on-going projects/programmes, performance of KMF at a glance, the socio-economic impact of KMF, etc are analyzed in this chapter.

The fourth chapter details the theoretical framework of strategic asset management covering strategy review, strategic problems, organizational capabilities and constraints, competitive advantages, strategy frameworks - ways of creating competitive advantage, core competence and capabilities, resource based view of the firm, strategic scenarios, and finally the strategic asset management. This chapter identifies the service delivery gaps affecting the efficient utilization of strategic assets. Much light has been thrown in this chapter in the form of responses and analysis of the same from direct customer surveys conducted in Bangalore, Mysore, Mandya, Tumkur, Kolar, Shimoga and Dharwad, the major dairying districts of KMF. The responses are tabulated and graphic presentations of these responses are depicted, in respect of 1,400
customers surveyed in these towns. This chapter further profiles the respondent-customer—age-wise, income-wise, occupation-wise, education-wise, gender-wise, marital status wise, and finally on brand usage pattern. It further details customers’ perception about KMF’s products and brands going into further details such as diary products, length of product use—loyalty, frequency of purchase of milk, buying habits, quantity of milk purchase at a time, sources of diary milk and finally the reasons for preferred brand of milk.

**Chapter - V** concentrates on the responses obtained from the survey of dealers and retailers of KMF in the geographical area of the study. The responses from the traders are key and vital to the strategic asset management of KMF in so far as they are the trade partners in the progress of KMF. Analysis of data sheds light on the operations of KMF and the gaps in service delivery from the perspective of the dealers. The responses are tabulated and graphic presentations of these responses are depicted in respect of 300 dealers surveyed in these towns. This chapter dwells on quality, feedbacks from dealers, promptness in delivery, accuracy in the supply of milk and milk products, invoice quality, corporate communications from KMF, and sales support materials provided by KMF to its dealers. Interesting details like factors of service delivery determining effective management of strategic assets, information sought by customers while purchasing KMF’s products, total sales of milk products, and incentives and others aspects that dealers expect from KMF to increase sales are analyzed and presented in this chapter.
Summary of major findings, suggestions offered and conclusion are contained in Chapter - VI. This chapter focuses on the final findings tabulated both from the customer survey and the dealer survey. This chapter dwells on the managerial implications, suggestions and recommendations in pursuit of KMF’s efficient of management of strategic assets to create superior values. This chapter details such impacting recommendations like strategic planning process, strategic focus, product quality, delivery promptness, administrative efficiencies like delivery accuracy, invoice quality, communication, sales support materials to dealers, meeting customer and market needs, etc.

Limitations of the Study
The study lays emphasis on evaluating the performance of KMF with special reference to the role efficient management of strategic assets in creating superior customer values. This model of ensuring innovation, superior quality, improved performance and customer satisfaction is not, unfortunately, the single most common management input in achieving the desired objectives. Major inputs like superior financial performance, cost of procurement, wastages and pilferages also have their say on its profits and cost leadership.

Secondly, the study by the virtue of its expanse and enormity of the industry is restricted to a few selected cities in Karnataka, while the focal point is on the Dairy Industry. Geographical and logistical reasons have outweighed cost of research while selecting this target market for the
research. However, these markets are truly representative of the population. Though all possible cares have been taken by the Researcher to ensure objectivity in the analysis, some error might have taken place at respondent’s end.

Finally, this study hinges much on the quality of the responses that the executives of the Dairy Industry offer to the Researcher. While the Researcher ensures that all possible care is taken to ensure that the research methodology is structured to suit the tight schedules and busy working styles of the executives, the responses elicited from them are within the broader framework of the organizations – confidentiality they maintain and internal strictures and guidelines which the officers are bound to follow. To this extent, it is expected that the responses may be slightly subdued. However, in this situation, the quality of the overall responses matter much more than of few responses, which fall under this problem area.

References


