performance and behaviour, however, during times of crisis, people of a company willingly act with team spirit of and mutual trust which emerge from shared assumptions to meet challenges posed to an organisation.

Decisions The process of decision-making, although dependent to a large extent on analysis and interpretation of data, is subject to factors arising from culture. A thick culture promotes understanding and agreement even upto grass root levels and hence decision-making process and implementation of decisions becomes simpler.

Control The controls exercised by disciplinary procedures, authority, and accountability do facilitate the carrying out of tasks, nevertheless, cultural factors also dominantly affect the working of a company. Companies having rich and thick culture essentially exercise self-control which originates from clan control. Clan control emerges from shared beliefs and values.

Communication The formal channels of communication in an organisation play their role, however, the culture of an organisation may lead to understanding of the communications in the right perspective. Rich cultural climate of a company reduces chances of miscommunication since a lot of information, concerns and growth needs are already shared. Communication which is the life blood of any company is good when more shared assumptions exist.

Commitment Commitment comes from the emotional linkup that a person has with an organisation. He or she wishes to prove the worth of the salt and bread that is earned from company to make a living. A number of benefits that a person gets from a company like salary, housing facility, prestige, sense of worth, etc. make him committed to a company. Rich and strong cultures tend to develop good emotional ties and hence commitment from employees. Committed people in an organisation evaluate all decisions which would add to company's growth and well-being.

Linking Strategies to Culture

It is in possible to define all the codes of behaviour for a company in a formal way. Culture tones the behaviour and what is expected from employees. The culture of a company affects implementation of strategies. Strategies can succeed if they are in congruence to the culture. The cultural impact can be so dominant in some situations that it may even prevent a company in meeting the challenges of competitive forces. Hence for strategies to succeed, cultures are required to be reoriented. In cases where strategies defy the basic beliefs about roles of individuals in a company, implementation of strategies may be quite difficult. It is simple to state this fact about culture affecting the strategy, however, it is the most difficult part of the entire process of strategy implementation. Refer Exhibit 12.13 for various aspects of culture audit in a company.

Exhibit 12.13 Industries Attractiveness Assessment Matrix

Organisational Factor	Approach			
	Exploitive	Benevolent	Cumulative	Participative
Leadership				
Motivation				
Communication				
Information sharing				
Interpersonal relations				
Decision-making				
Objective setting				
Performance				
Training				
Control				
Leadership				

Management of Strategies and Cultures

If change come as a bolt from the blue, people oppose them since they are not mentally prepared to accept the changes. In large organisations, techniques like scenario analysis, sharing of concerns, grass-root level communication and transparency which allows people to participate in a company's reorientation process, helps to overcome the resistance and invites willing participation from employees. A compatibility fit between the strategies and the changes required in structures, policies, authorities, responsibilities for implementing new strategies and various cultural factors must be objectively examined.

A simple analysis as shown in exhibit 12.14, would help in understanding culture and strategy relationship. It can be studied with regard to goodness of fit between the two.

Case 1

When a large number of changes are to be done, and when compatibility of change with existing cultural factors is high, certain strategy and culture relationships are to be carefully examined. Mission statement of a company and its action plan at various levels must be linked with basic cultural factors and top executives of company must emphasise this fact in their communications to imprint the message in the minds of the people, because mission serves to be the basic fabric of organisational culture. The stress on deploying existing personnel of the company who have large shared values should be greater. The compensation system should be developed with its compatibility with existing rewarded behaviour. Managers must pay careful attention to those on cultural factors which are not compatible with new strategic actions and choose to decide some alternative course for these strategic actions. Thus wherever possible cultural factors must be integrated with the change at all levels and alternative courses of actions must be developed for those strategies which are not compatible with cultural spectrum.

Exhibit 12.14 Congruency of Changes and Existing Cultural Factors

Necessary changes in the organisation for implenting new strategies.	Low	High
More	Quadrant 4 Think of new strategies or initiate long-term cultural changes and prepare to overcome associated problems	Quadrant 1 Integrate mission and objectives at all levels with basic organisational cultural factors
Less	Quadrant 3 Manage strategies with culture as hinge	Quadrant 2 Look for synergies between culture an strategies and work to strengthen them

Case 2

When number of changes required to be done are less and these changes are in congruence with a company culture, things are quite simple. Company must emphasise re-informing the company's culture and use this opportunity to bring people closer and rededicate themselves to company culture.

Case 3

When changes are a few in strategy and also the changes required have lower congruency with company's culture then the probability of success of a company with the new strategy is to be critically evaluated. The necessary changes to be made can be planned around each of the major cultural factors and a meticulous planning and coordination effort made to introduce the change such that it does not antagonise people, but they develop an understanding of change. This understanding can be helpful in overcoming objections.

Case 4

When necessary changes involved to implement a strategy are many and these changes are not congruent with prevailing culture of an organisation, it may face a real dilemma. In such situations company must examine once again the chosen strategies. An analysis must be carried out, seriously to gauge the benefits of new strategies and probability of success and the advantages and disadvantages should be carefully compared. Impletable strategy would be the one that would be consistent with the cultural pattern of a company.

Sometimes external environment may be predatory and it may become essential for a company to adopt new strategies with tooth and nail opposition from employees, in such cases long-term cultural changes may become necessary and it may call for some major basic changes in the fundamental cultural fabric of a company.

In situations discussed above, CEO has a major role to play and he or she should demonstrate by setting examples and determination with which new strategy is to be adopted. The process may begin by bringing in new people who share desired values and removing those who vehemently oppose changes. The process of changing values can be set into the blood stream of organisation by changing the reward system in line with new values. Clarifications on new behavioural patterns should be made and new rules made known to people. There should be strict conformance between the expected behaviour, changes and the rewards.

Changing of cultures takes time. It is a gradual process and consistent efforts in the direction of change should be made through participation at all levels.

QUESTIONS

1. What are the basic characteristics of an organisation which play significant role in its functioning?
2. Discuss classical theory of organisation.
3. Discuss various aspect of human relation theory of organisation and evaluate its applicability in your company.
4. How can structure of an organisation be related to the decision-making model? Discuss contingency model of organisation in the light of decision-making process?
5. What are the various steps in design of structures of organisations? Discuss design of basic and detailed organisational structures.
6. What are the various symptoms of mismatch between systems and structures?
7. What are the various aspects of organisation structures? Discuss various types of superstructures of organisations.
8. How would you choose a specific structure to match strategies? Discuss simple and functional structures.
9. Discuss divisional structure of organisation. What are its advantages and disadvantages compared to functional structures of an organisation?

10. Discuss emergence of SBUs and matrix organisational structures. How would structures and strategies be synthesised?
11. What role does leadership play in organisational structures?
12. Discuss a manager's role in various business situations in organisational structures.
13. What do you understand by culture of an organisation? Discuss various aspects of organisational culture.
14. How are strategies of an organisation linked to its culture? Discuss with examples different cases related to changes in business environment.

CHAPTER

13

Guiding, Evaluating and Controlling Strategies

A strategy or a set of strategies are decided and implemented within a timeframe with an objective of guiding a firm to achieve a definite and desired position in a changing environment. The changes in environment are never static and so also is the position of a company and hence this process is dynamic in nature. Strategies, apart from being based on certain facts, are also based on several assumptions for future which may not occur in the same fashion as has been assumed by the strategy makers. Due to these reasons it becomes inevitable to guide, evaluate and control chosen strategies. Evaluation of strategies uncovers the deviations from the selected path which a company decides for itself depending on its SWOT profile, business environment that surrounds it and objectives that it decides for itself. The evaluation is done for the necessary course correction for meeting laid down objectives. The evaluation is used as a means of controlling or directing the future efforts which may either entail change in strategies or totally abandon the same.

A strategy takes about three to four year to mature and give the desired fruits. During this time period the company is prone to changes. The managers, workers, and other people in and outside the organisation may change. There may be changes in the various laws related to company or there may be a change in technology. The major changes come from the environment of an organisation. Hence there is a need for controlling the strategies such that the organisation moves towards growth in the desired direction.

As a strategy is implemented at various levels and in various systems of an organisation, its process is tracked all along and problems faced are uncovered and any change in the underlying assumptions which may no longer be valid is also uncovered and necessary corrective action taken through a control mechanism. Thus strategic control is essentially not a post-action control. It takes place while the strategy is being implemented.

The following are questions that come to the mind of strategy managers and which must be addressed in any control process.

- What is the direction in which the company is moving with regard to various objectives?
- Are the key factors and indicators as desired or are there any changes in them?
- Are the underlying premises for major factors, trends and changes, etc. correct or do they need any correction?
- Are the critical and key activities being performed as desired or is there any other course correction required?
- Do the strategies chosen need to be abandoned or do they need some correction?
- Is the performance being correctly measured?
- Is the performance as desired?
- Are objectives being met?
- Are schedules of implementation, evaluation and accomplishment of objectives being followed?
- Are the costs involved and the operating cash, in line with actual projections?
- Are changes in operations, implementation, structures, policies etc. required to speed up the process?
- Is feedback at all levels available and are people aware of the progress or do they have some more information to be shared?

DESIGNING STRATEGIC CONTROL SYSTEM

Strategic control system can be termed as a 'steering through' mechanism. Strategy is a path for reaching from one point in the organisation to the other and steering through this path amidst hindrances, speed breakers, etc. by exercising correct control which is crucial for companies. A lot of things happen within and outside a company during strategic implementation. Structures are changed, investments made, action plans undertaken, task forces created, and projects undertaken within a company, while there are several changes in competition levels, nature of competition, number of competitors, market segments, price, etc. which are attributed to external environment. The system thus has a highly dynamic nature.

In order to account for total strategic control, the following strategic controls are necessary.

Control on Underlying Assumptions

The hypothesis of development and growth is based on certain underlying assumptions about an industry, company, people, incidents, laws, etc. As it is never possible to collect all significant data accurately and identify their interrelationships, assumptions are to be made. These assumptions may undergo changes and the changes must be recognised and incorporated.

The major assumptions include various environmental factors viz. customer preferences, market behaviour, inflationary trends, technology, regulation, politics, social patterns, etc. There are pertinent industry factors like competitors, suppliers, substitutes, barriers to entry, etc. which also undergo changes. A ranking method must be used to identify the most significant assumptions that would cause change and have major impact on strategies of a company. The key assumptions should be identified during the planning process and these should be carefully recorded. Persons, departments, sections, groups, etc. should be given the responsibility of recording the variations. Various functions of an organisation which come in contact with the environment and can bring in some useful information must be deployed for this purpose.

Control During Implementation

Implementation of strategies is done in several steps. The process of implementation has essentially to be in steps and the second step should be avoided unless the first step is completed. Otherwise it will lead to chaos without any fruitful results. This is due the fact that various programs, investments and actions taken are interdependent. The process has been discussed in great detail in various preceding chapters. The control during implementation implies measurement of effects of the new strategy, comparison of results with the expectations identifying the causes for deficiencies and taking actions to make changes in the light of the changes taking place in external and internal environment of a company. It may be required to take incremental steps and actions for success.

CHALLENGE OF CHANGE

In order to implement strategies, major or minor, changes may be required to be made. Major changes penetrate deep into the values, beliefs and culture of an organisation. The challenge of managing a change is planned out by strategic managers who agree on various levels of implementation. This facilitates working out detailed plans. The changes are to be strategically managed with involvement of all concerned in order to invite cooperation and participation from all quarters. All these necessitate focus on vital issues discussed below.

Strategic Thrusts

Changes make certain strategic thrusts which were thought to be pertinent in past situations to become outdated since such strategies that were selected in the past based on the then prevailing business situations. But the latter are dynamic in nature and therefore undergo changes. In order to meet challenges it is simpler to work from whole to parts. The overall strategy of the company is required to be fragmented at various levels and the components are to be examined with regard to strategic thrusts required in each area. It is noteworthy that the same amount of effort may not be required in all divisions or departments of a company. Different departments, units or subdivisions may already excel on certain strategic aspects and may not require special attention from the management, whereas there may be areas needing special attention and thrust. Identifying these strategic thrust areas is necessary for any company to make effective deployment of resources to meet the challenges. Specific narrow undertakings in each function or department is required to be done and clearly monitored, for the success of the overall strategy.

The strategic thrust areas not only spearhead the program but also contribute to creating an effective feedback system for course correction. The process of identification of strategic thrust areas begins at the planning stage and arises due to the critical need of accomplishing the strategic results with best use of available resources. A system of measurement of these thrust actions and various phases of growth which would be evaluated to measure the success of chosen strategies is required to be established and continuously modified, if required due to reasons of adaptability.

We know that organisations have certain inertia by way of which they continue to move in a predetermined direction. A certain amount of effort is required for bringing a change in the direction. This effort should create an environment which would aid the company in developing adaptability to new ways of doing new things. These are to be frequently analysed to draw inferences. The system may also envisage the setting of some threshold values for cost, time frame, required R&D expenditure, operating cash needs, etc. and their frequent measurement to assess the successful implementation of strategies. It may require installation of altogether new business processes for better value-addition through faster business operations.

Review of Milestones

Milestones can be decided based on the major resource allocations, critical events or periodicity. Decision on which kind of milestones would be chosen would depend on several factors like ease of measurement, accuracy of measurement, need for monitoring a specific resource, critical nature of a particular factor, etc. The total programme for implementation of strategies may be divided into several milestones. The milestones may be reviewed as and when these are reached. The review would consist of making an assessment of strategy and deducing whether course correction is needed. The milestone review can also be conducted when a major uncertainty is resolved or a major change has occurred in the environment. The objective of milestone review is to critically examine each aspect of strategy implementation and review the progress and also plan for future contingencies and course corrections required, such that the future of the company takes shape as conceptualised and planned.

Strategic Surveillance

The purpose of strategic surveillance is to broadly monitor the activities inside and outside a company that may affect results of selected strategies. These events may either threaten strategies or may be conducive to them. Nonacceptance of strategies by a group of workers or competitors' new strategies may threaten the existing course of strategies whereas favourable changes in regulations or policies of the government may be helpful to a company. We know that implementation of strategies is not confined only to a few functions and is spread to several areas, activities, departments and functions. The purpose of strategic surveillance is to uncover the hidden information that may be vital for strategy implementation. It is a sort of internal and external environmental scanning and should not be focussed only on some specifically defined areas. In fact it should be grossly unfocused to derive maximum benefits from it. The outside environment is quite dynamic and a constant vigil is required for developing the ability to face the challenge of changes.

Alert Control

Sudden changes and events are not uncommon in the business environment. Suddenly there may be a change of government, there may be a war or there may be a change in regulation and law. In addition to these, there may be technological innovations and entry of a predatory competitor who may change the total business equations and philosophy. The strategic control methods discussed above may not be sufficient to cater to such drastic changes taking place in an environment. An organisation must conduct alert control to both above these situations to combat these emergencies. Companies today are developing contingency plans along with crisis teams to meet the eventualities.

CONTROL SYSTEMS AT OPERATIONAL LEVELS

The basic strategic direction for growth through use of strategic control methods is done at top management level, however, at the operational level also certain types of controls are necessary depending on the level of strategy implementation.

The objective of controls at the operational level is to devise systems that would guide, check, monitor and evaluate the progress of various objectives based on post-action analysis and over short durations.

In general the following steps are followed.

- setting standards of performance
- defining attributes of measurements
- defining methods of measurements
- identifying deviations from the standards
- checking the effect of corrective action and making further corrections

Operational control systems which are in use are as follows:

Budgeting Systems

Preparation of budgets and their monitoring is a very old and time-proven technique used for controlling a business process. The strategic planning has been evolved from capital budgeting technique. Today capital budget is used for allocation of resources in strategically managed functions and the basis of allocations is strategic assessments. The focus has shifted from pure capital budgeting to strategic budgeting. Similarly rules of budgeting, cash budgeting, expenditure budgeting, etc. are terminologies used for strategically managed functions. These systems are used as important controls for strategic implementation.

The resources are closely linked to performance which is interdependent on other functions, hence strategically managed budgeting, calls for close coordination amongst various functions. Budgets thus create standards of performance and provide a basis for deciding on redeployment of budgets. The budgeting systems for each company is different and specifically designed to suit its requirement, however, budgets signifying three basic functions are invariably prepared by each company.

Revenue budgets Revenue budgets are sales expectations put in the form of likely revenues that would be generated. The marketing strategies and revenue budgets are closely linked and performance of the former is measured by accomplishment of the later. The revenue budgets provide periodic feedback on the effectiveness of marketing strategies. The revenue budgets are divided based on market projections at the planning stage and may be linked to past revenue generation patterns and strategies. Performance of revenue budgets give warning signals for performance of sales, marketing, production and other functional level strategies and managers accordingly modify, adjust, change, adapt or create new strategies.

Capital budgets Capital budgets make provision for capital investments as per strategic decisions. The capital expenditures are usually for machinery, plant, land, inventories, etc. Many companies diversifying or integrating vertically or horizontally may need capital to be deployed for specific purposes and capital budgeting provides an effective control mechanism for the same. Firms use various other types of budgets like cash budgets and balance sheet budgets to go into details of assets, liabilities, operating cash flows, net worth, etc. for exercising control.

Expenditure budgets While the money is being spent as per resource deployment and needs of capital budgets, the situation may change due to several changes in environment and some of the resource allocations may be rendered useless with regard to strategic implementations, or the budget allocated may cross the limits set due to changes taking place in the environment and expenditures may be more than the budget. In such situations expenditure budgets give an insight into the pattern of expenditures and help to evolve a method of controlling the expenditure for accomplishing strategic objectives. The expenditure budget not only helps to control the implementation of strategies at functional or SBUs level but may also help the management in taking decisions on the resource allocations in capital budgets which may be required to be pruned.

When money is spent it must produce results. The standards for spending the money and quality and quantity of results need to be standardised. Thus evidences of strategic implementation should be clearly spelt out and a plan for achieving them should be pinned down. These standards are to be linked to strategic objectives and then closely monitored to uncover areas which require control. Various decisions for cutting down travel expenses, inventory, rectifications, change in sales organisation, expenses of sales, etc. can be traced back to expenditure budgets.

Scheduling PERT and CPM

Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) are two very widely used techniques to link strategic actions at various levels to time. CPM is basically concerned with tradeoff between cost and time and is used where there is comparatively stable technology and where risk is lower. Both techniques use networks where activities and events are shown with logical relationships. Time frame is a key factor that must be considered for strategic management success. The methods consist in defining the interdependent strategic activities and allocating required time for each activity. The critical path method may also be used to identify the shortest time and additional resources that may be required. The methods have been successfully used by companies integrating vertically or horizontally and mapping out interdependent activities with schedules. The significant changes in various functions like marketing, punching, production, machinery reallocation systems, etc. which can be scheduled and effectively controlled for meeting strategic objectives. It must be appreciated that creating PERT and CPM networks for real problems is quite complex. In some cases, linear programming techniques may be required to be used, however when the number of activities are more, say above 100 or so, the technique of linear programming also becomes unwieldy and in such cases heuristic programming technique is used which consists of scheduling the most critical activities first and then considering activities having larger independent float.

KEY SUCCESS FACTORS

For a strategy to succeed, there are some key success areas which must be continuously monitored by the top management. These factors are significant to strategy implementation, and monitoring of these factors leads to a control over the strategy implementation process. Every company has a different set of key success factors, however, a general list could be as follows.

i. value addition
ii. productivity
iii. employee morale
iv. product features
v. service
vi. earnings per share
vii. market share
viii. new facility additions
ix. level of education
x. awareness

Each of the factors can be further subdivided into tangibly measurable units which can be monitored for their pattern of change. Each firm will have to work out its own list of these critical or key success factors and create its own measurable sub-units, however, a general list could be as follows :

Product Quality

a. performance data
b. customer's acceptability
c. customer complaints
d. customer's satisfaction level
e. conformance to requirements of specification
f. cost rejection and rework

Customer Service

a. number of calls from customers for completeness
b. delivery time
c. sequential delivery
d. delays in reinstallation
e. customer's rating

Employee Motivation and Morale

a. attitudes of employees towards company
b. unplanned absenteeism
c. irritative to accept challenges
d. integrity

Competition

a. number of companies competing
b. number of new product features introduced
c. number of incentives introduced for sales
d. marketing plan
e. market place survey
f. market share

The key success factors help managers in focussing their efforts for implementing the strategies with required controls for making strategies successful. The key factors also help in building a team spirit amongst managers. This is due to interdependence of functions and objective which are to be accomplished.

MONITORING SUCCESS AND EVALUATING DEVIATIONS

It is almost impossible to achieve one hundred per cent performance. Both possibilities exist—the managers may either surpass the targets or may be short of them. This difference between the accomplishments and the standards set is called as deviation. It is necessary to monitor these deviations to exercise proper controls at various cybernetic points. Thus timely information needs to be generated such that there is time for making the corrections. The identification of the existing deviations with planned mile stones is usually the concern of the management. The management is specifically interested in the causes of deviations so that it can identify probable actions that may result in course corrections, if required.

Some companies focus on timeliness—completion of projects in time may result in a bonus while a contrary situation may leads to heavy penalties. Others may concentrate on reducing overheads. Some companies may choose to reduce cycle time and others may focus on scrap reduction. While their focus may be on one aspect they may also keep track of other factors as well. Once the deviations and the underlying causes are identified, the impact of the deviations on the total success of strategy is also evaluated.

The deviations may be measured in terms of money, business opportunities lost, affected business relations, etc. and weighed with regard to competitor's position. The objective is to develop a rationale behind the deviations and the cause-and-effect relationship established. The deviations may also occur due to internal factors and various shortcomings. The evaluation method thus depends on the focus of the management, and a decision regarding the control mechanism is taken. The strategic plans, schedules, budgets and other parameters are integrated to arrive at conclusions based on which decisions on adjustments in expenditure, strategic growth directions, budgets, control systems, structures, etc. may be taken.

It is pertinent to note here that an acceptable level of deviation should also be decided otherwise the control process itself may become quite costly for a company. It is unwise to have absolute standards of performance due to the basic nature of any business which is usually affected by several internal and external factors.

The standards are therefore derived from averages. The averages set ignition points where management becomes concerned and decides to exercise and take corrective measures. There is a certain amount of deviation which may be safely permitted as it may arise due to measurement inaccuracies whereas there may be a threshold below which the performance of an attribute may be unacceptable. It must be noted that measurement method has to be time-proven to arrive at conclusions, otherwise the results based on which action is to be initiated itself may be wrong and this is required to be doubly ensured.

For meeting eventualities caused due to ignition points, contingency plans are sometimes predrawn which also need to be reviewed. The contingency plans take into account various possibilities for reprioritising, redeploying and restructuring if required.

Thus operational control systems are designed to give a continuous feedback to management through authentic and proven methods of measurements and feedbacks on performance for enabling the management to take required corrective actions.

OPERATIONAL CONTROL OF SYSTEMS

None would like to be controlled. Similarly none would like to report his or her own failures. Hence people are most likely to resist installing a control system which would uncover failures while uncovering the inadequacies or they would land up providing incorrect or incomplete reports. In order to overcome this problem the management will have to build up a climate of mutual trust and belief and will have to identify the real causes for installing a control system. The purpose of control system should never be to find fault with managers but to make course corrections. This is quite a sensitive issue and should be carefully handled through good human relation techniques by the management of a company. Motivating and rewarding the key personnel may help in installing a control system and making it work more efficiently. The reward system may be used as a positive reinforcement and should be the primary emphasis. The negative reinforcements sometimes may be required for controlling and adjusting poor performance. Various reward systems like hike in salary and perquisites, bonuses, stock options, incentives, benefits, promotions, recognition, etc. can be used by a company.

The purpose of a control mechanism is to develop a goodness of fit between the personal and organisational objectives. Financial incentives have been found to work effectively if they are particularly linked to vital activities. Non-financial awards like giving autonomy in job and removal of visible control over day-to-day activities also motivates people to contribute to successful implementation of strategies. The rewards and sanctions must be linked to the time period of strategy implementation. There has been an apprehension on short-term incentives as it is felt that these jeopardize the long-term position of a company. This is true in some circumstances, however, decisions on this aspect should be prudently taken. The reward system should be critically examined and should be installed only after it has been tested in some quarters.

A reward system for motivating people for maximising the annual profits may not be really effective in the long run as the current investments that may be made for improving long-term profitability of a company and its future growth prospects may be eventually lost and may not bear fruits due to fast changes. It must be examined that the reward system should not motivate the manager in a way that long-term benefits which are planned to accrue due to strategies are eventually lost. The short-term incentive and award schedules have basic drawbacks which must be clearly understood. Some of these effects can be summarized as follows:

1. The short-term incentives and rewards are typically based on immediate past performance which may be dependent on the past strategy. There might have been drastic changes in strategic posture of a firm and giving rewards on immediate past performance which may be dependent on the past strategy may not be correct and it may eventually demotivate other managers.

2. The focus is primarily on short-term and hence managers may overdo certain transactions to maximise gains thus affecting long-term investments.
3. It must be understood that short-term gains are primarily due to effective handling of activities of sales, marketing, accounting, purchasing, etc. in short-term and may not be essentially the effect of strategies.
4. Short-term gains can be reflected by some manipulations also. The accounting and managing of events is sometimes so complex that it may be difficult to separate changes which might have lead to benefits.
5. Strategies are basically for long-term gains, however, sometimes the ignition points may result in sporadic gains also. Efforts should be made by the concerned managers to understand the actual mechanism of benefits.

Short-term gains cannot be outright ruled out and in the disguise of strategies some motivated manager should not be condemned. The short term gains may not always be counter-productive to the strategic directions of growth and hence quick conclusions on the issues may be disastrous. This situation of confusion for rewards of short-term and long-term gains arises due to absence of adequate integration between the long-term and short-term objectives, which must exist for avoiding the confusion. It is necessary to develop a clear understanding of objectives right from their inception to avoid impediments in the progress.

Hence a typical reward system should be based on accomplishment of long-term and short-term objectives which must be controlled and assessed at various levels. In fact the process of integration of short-term objectives to accomplish the long-term objectives should be carried out throughout the company at various levels and incremental adjustments carried out to achieve total strategic implemention benefits. The short-term objectives reinforce in incremental manner the long term objectives of a company in a cascading process.

Incentive systems can also be based on strategic budgets which have been already discussed. The incentive systems should be based on some of the following attributes ;

1. Strategic targets achieved in short-term and long-term from results of established processes.
2. Rewards for work-in-progress and completed tasks should be separated out for purposes of clarity.
3. Stock options should be encouraged for people to develop a sense of belonging.

QUESTIONS

1. What are the various issues which need to be addressed during implementation of strategies?
2. Why is there a need to install a strategic control system and what are the various factors taken into account while designing a strategic control system?

3. What are various challenges of changes which must be addressed while implementing the strategies?
4. What is understood by strategic control systems at operating levels? How are budgets used as a control mechanism?
5. What is the relevance of PERT and CPM while implementing strategies?
6. What are key success factors? How is success mentioned and deviation evaluated?

CHAPTER

14

GUIDE TO CASE ANALYSIS

The case approach is an effective method of learning by doing. Cases provide the students and practitioners detailed information about the condition and problems of various companies and industries. The task of the student is to analyse a number of companies which face different situations and develop skills of analysing these companies using analytical techniques, thereby learning to use the same. Simultaneously, they become aware of the ways by which existing companies solve their strategic problems. Cases provide students with following:

1. Give exposure to a variety of strategic problems faced by different industries and companies.
2. Enables students to do role playing as a manager.
3. Use the analytical skills to evaluate situations and problems and become conversant with strategic management techniques.
4. Develop creative abilities to find new solutions to strategic issues.

OBJECTIVES OF CASE ANALYSIS

The method of case study fulfils the following objectives:

1. To enable managers to understand do's and don'ts of business strategies.
2. To build skills in carrying out strategic analysis in a variety of competitive situations, SBUs, business situations, etc. faced by companies.
3. To gather experience in diagnosing various strategic issues and evaluating different strategic alternatives. Experience is also gathered on formulation of workable action plans.
4. To build-up business judgement experience in contrast to accepting arguments on their face value.
5. To get exposure to various industries and firms.
6. To gain experience.

APPROACH TO CASE ANALYSIS

Basically, the following two approaches have been used for case analysis.

- Individual Presentations
- Group Discussions

The individual presentations can be written or oral.

The Various steps in case analysis are as follows :

1. The first step is to read the case quickly so that a familiarity is developed. Initial reading should give a comprehensive understanding of the basic strategic issues involved.
2. The next step is to read the question to be solved for case. The questions are to be carefully read and understood in the context of the case.
3. The case should now be read again with a purpose of gaining full insight into the facts. Try to develop answers to questions in a wider framework of strategies and analysis.

   In case questions have not been provided, an attempt should be made to categorise some basic questions and answers.
4. The data provided along with the case study speaks volumes of information which is to be properly derived and arranged to convey some basic facts. Try to correlate the information contained in data with facts identified earlier.
5. Formulate strategic issues which need to be analysed. Sometimes strategic issues are quite clear and must be jotted down. In some cases they are not quite clear and an argument base must be built-up to identify them. These are required to be dug out.
6. The starting point for analysis is to calculate various financial ratios and estimate the financial condition of a company both and in the past and present. The growth ratios, growth rates of sales, profits, etc. are calculated. The cost structure is built and a total understating of company's financial position is developed.
7. The strategic analysis is based on tools and techniques. These techniques are helpful in uncovering the hidden strategic issues and also help in understanding various strategic issues.

   The strategic analysis tools must be appropriately used to gain insight into various strategic issues. A proper understanding as to which tools should be used for which cases should be developed by students.
8. Sometimes conflicting judgements, opinions and views are developed regarding the data and outcome of analysis. It is a healthy practice to have different points of view and interpretations and this generates more analysis and discussions which further helps in clarifying doubts, opinions and judgements.

9. A good foundation for reasons and evidences must be built. Whenever some conflicting views are developed, a search for correct answers must be made. The questions must uncover reasons and logic behind each statement with number crunching evidences.
10. The critical analysis must culminate into sound actions. The actions must be oriented towards achieving the targeted results. The recommendations should emerge in the form of action plans which should be realistic and workable. The recommendations must be logically proved and one should be able to defend them with substantiated arguments as to why the suggested actions would bring in expected results.

GUIDE TO PREPARING A CASE

1. Adequate time must be allowed for preparing a case. Cases which are prepared in a hurry do not stand the arguments and often the person or a group of persons will find it extremely difficult to defined the case. The information gathered must be classified, recorded and interpreted to draw meaningful conclusions.
2. Notes should be made on key points and key issues. These notes may contain a lot of trivial information which may be irrelevant. Usually, in the introduction the key issues are identified, however, these must be carefully highlighted.
3. Search of relationships in information must be made. Exhibits which contain a lot of numerical information may not communicate much. The relationships in term of trends, variations, correlations etc. is important and conveys a lot about the case.
4. Work should be carried out within a time frame. If data of 1997 is used for a case in presented in 1998 it may be alright, but if the data becomes quite old, it may lose its real impact.
5. A combined use of knowledge and experience should be made, the facts from different points of view. Consider all possible aspects of business and industry. Do not confine the analysis should not be confined to strategic management concepts and knowledge of value analysis, general management, PERT, MBO, etc. should also be used.

GUIDE TO PARTICIPATING IN CLASSROOM DISCUSSIONS

1. The student must actively participate in classroom discussions. The professor must only facilitate the discussion. Mere presence of the students and participants is not sufficient.
2. Questions related to assumptions, data, analysis, methodology, conclusions drawn, and recommendations, etc. must be asked to help and build logic of case analysis. The questions should be pertinent and should significantly bring out the facts to light.

3. The supporting analysis and logic should be kept ready in slides to be presented whenever required. It must be substantiated with data.
4. The presentor must expect challenges to his presentation and must be able to tolerate an honest difference of opinion. There must be no hesitation to ask questions or challenge the data presented or the logic through which certain conclusions are drawn.

   The views and opinions of the other listeners must be respected and honoured. One must appreciate that and unorthodox approaches are always welcome.
5. One should be prepared to change the mindset as the discussion unfolds and new knowledge or a different point of view emerges. One should be able to correlate as to how the new point of view will change or alter the total analysis.
6. Discussing the case even after the presentation must be welcomed as many new thoughts may come only after coming out of the class room. This discussion would help to further refine the thinking process.
7. Often people are found just talking and repeating the same arguments by using different words. It would be better appreciated if contributions are new and original.
8. Avoid using phrases like 'I think', 'I feel', 'in my opinion' etc. instead, 'the analysis reveals' the company should take actions etc. should be used. This gives more weightage and authenticity to the presentations.
9. It is quite boring if the information given in the case is often repeated. Everyone who comes to attend the presentation is expected to have read the case carefully and hence repetitions are only a waste of time.
10. Always rely on your notes, keep them with you while presenting. Though it is true that most of the data argument is in the head of the presentor, however, in order to ensure that nothing has ban missed one should keep the step-by-step analysis written down in key points.

The total steps can be listed as follows.

1. Identification of key issues faced by management and which management needs to address.
2. Perform appropriate evaluation and analysis.
3. Summarise results in light of step1.
4. Propose an action plan and recommendations.

In step 1 consider sizing up the company's situations, strategies, pertinent problems etc. Consider issues faced by management and state the problems clearly and precisely. Often the problems are not correctly stated. People keep on repeating symptoms.

The analysis must be clear and to the point. Avoid opinions, generalisations and platitudes. Rely on tight logic-based arguments backed by facts and data. Carry out qualitative analysis if required to arrive at logical relationships. Use strategic concepts, charts, methods and techniques to help arrive at conclusions. Avoid dramatisation and prepare for a balanced presentation.

The recommendations should address all the issues and problems faced by management and consistent action plans. In case the suggestions from the findings are not based on the logical conclusions there is every likelyhood that these will not be accepted. The high-risk recommendations should be based on high degree of analysis and should be made with a lot of caution. The workability of recommendations is to be critically examined. Competence of a company to implement the recommendations depending on market conditions etc. must be thoroughly examined. Generalised statements like more efforts, more planning, aggressive marketing etc. should be avoided. Instead more specific recommendations should be made. It should be borne in mind that making suggestions is one aspect and seriously implementing them is the other more crucial aspect. Hence it is better to empathise first before recommending and avoid suggestions which one would himself not prefer to follow.

The report should be well written and well organised. It should be convincing with tight logic and must be persuasively written.

Some of the additional guidelines are as follows.

1. Keep the written matter simple.
2. Include major issues.
3. Use a nice style with clear headings and highlighting.
4. Integrate the total perspective of analysis.
5. Use various analysis techniques.
6. State assumptions, if any.
7. Summarise findings.
8. Prepare sufficient number of copies.

QUESTIONS WHICH MUST GENERALLY BE RAISED DURING STRATEGIC ANALYSIS

1. What are the current strategies?
2. Are the actions taken in line with the current strategies?
3. Are current strategies meeting expectations of business drivers i.e. customers, stakeholders, etc.?
4. Are strategies capable of achieving objectives and future strategic position?
5. What are drivers of objectives?
6. What are drivers of strategies? Are there personal goals or objectives?

7. Are the goals too ambitious?
8. Are the goals too low?
9. Are the goals and strategies in line with opportunities?
10. Are the strategies geared-up to meet the threats?
11. What are competitive strategies?
12. Are the competitive strategies based on correct understanding of industry behaviour and structure?
13. Have the key strategic factors been accounted?
14. Are the chosen strategies based on strength and weakness analysis?
15. Are the strategies based on core competencies?
16. Are strategies for all business functions defined?
17. What are the business process inputs and outputs?
18. Is the organisation fit to implement chosen strategies?
19. Can some of the businesses be left out or sold?
20. What other kind of pruning is required?
21. What is the organisational culture? Will it help new strategies?
22. Can it take advantage of liberalisation?
23. What changes are required in structures, culture, systems, processes, etc.
24. Do systems work?
25. What systems it has?
26. What is sensitivity of organisation to changes?
27. How well is the feedback used?
28. What is the responsiveness of organisation to changes?

(The above list is not a complete list and is meant only for guidance. Each case will have its own set of questions.)

CASE

I

CROMPTON GREAVES LIMITED

—M. Pradhan

History of Crompton Greaves is a stuff of biographical record. The seed material is two enterpreneuarial ventures back in the 19th century, the English firm REB Crompton and Company, founded in 1878 by the renowned electrical engineer Col. Rookes Evelyn Bell Crompton and the Indian firm James Greaves and Company, set up in 1858 by James Greaves.

James Greaves and Company grew into a partnership venture, Greaves Cotton and Company (GCC) with George Cotton, an agent of the East India Company.

In 1927, Crompton and Company merged with F&A Parkinson and a new enterprise, Crompton Parkinson and Company Ltd. (CPC) came into being. Crompton Parkinson and Company Ltd. appointed GCC as its concessionaire in India.

In 1937, CPC established its wholly owned Indian subsidiary Crompton Parkinson Works Ltd. (CPW) in Bombay, along with a sales organisation : Greaves Cotton and Crompton Parkinson Ltd. (GCCP) in collaboration with GCC.

Coinciding with India's independence, GCC passed into the hands of the eminent Indian industrialist, Lala Karamchand Thapar.

The business association between CPW and GCCP came to the logical conclusion in 1966 with a merger to form Crompton Greaves Ltd. Overseas rearrangement of interests aligned CPC with Hawker Siddley, which in turn has become a part of the BTR group. Thus, CG has the advantage of being associated with two leading corporate organisations, the Thapar Group and BTR Industries, which is the international business conglomerate.

COMPANY PROFILE

CG has been a pioneer in the field of electric energy for more than 50 years. It is India's largest private sector enterprise in the business of electrical engineering.

Today, CG operates a vast federation of 28 manufactories based in 11 locations and 19 undertakings of 17 associate companies.

During 1995-96, operations of the company were divided into 4 strategic business units.

Power system Transformers, switchgear, control and engineering products

Consumer products Lighting, fans and appliances and international division

Industrial systems Motors, alternator, railway transportation including signalling, power generation equpiment and industrial system.

Digital Industrial electronics, telecommunication informatics.

ACHIEVEMENTS DURING LAST 5 YEARS

- Successful development of 400 KV and foil wound transformer (Technology for Westinghouse Electric Corporation., USA).
- Development of axial, Francis and pelton type hydroturbines capable of generating power as a single unit of 200 MW, through an associate company, punjab Power Generation Machines Ltd.
- Development of wide range of compact, single pressure, puffer type SF6 circuit breakers based on technology from Mitsubishi, Japan.
- Development of zinc oxide lightning arresters using technology from Hitachi, Japan.
- Development of Stanford series of AC generators through a joint venture with New Age, UK.
- Development of complete Electrics for Diesel Electric Multiple Units of Indian Railways (in-house development).
- Development of high speed light weight Traction motor for diesel loco application.
- CG was the first in country to indigenously develop 3-phase ABB Traction Motor for Indian Railways.
- CG's associate company Sky Cell has procured the rights for providing cellular telephone services in Chennai.

VISION AND MISSION

Vision statement of an organisation is based on the philosophy on which the organisation works. It is a statement which defines the purpose for which organisation lives and survives. Vision is a long-term business philosophy and serves as a framework of evaluation. With changing business scenario, vision statements have attained special emphasis. With increasing competiton, depleting resouces and fast changing market demands, organisations need to synchronise their efforts and align their resources towards attainment of one common goal. This is what vision statements help to achieve. They act as a signpost for organisational direction, to ensure unanimity of purpose and to facilitate translation of objectives into workable elements.

Vision statement of CGL encompasses the needs of a modern enterprise with customer as a focal point. It gives direction and a framework to help organisation in the new millennium with shareholder's joy, employee satisfaction and continuous technology innovations.

Vision Statement

To achieve for Crompton Greaves, the status of a world class company so as to ensure

- Customer satisfaction
- Profitable growth
- Perpetuity
- Stakeholder satisfaction and pride
- Fulfilment of social obligations
- Profitable growing expert

To achieve, through the implementation of PDCA, best practices and continuous improvement of processes focussed on:

- Technology upgradation
- Total quality
- Resource productivity
- Cost effectiveness
- Speed

To create an environment which encourages organisational learning and team effort where:

- Each individual understands his or her responsibility, makes contribution and is recognised for the same.
- Each individual gives his or her best to achieve the shared vision.

While vision statement defines a company's long-term objective, mission statement paves a path to attain that vision. CG's corporate leadership allows its divisions to formulate their own mission statements. This is in line with the corporate policy to give more independence and flexibility to its divisions so that they can design their own mission statement according to the needs of their market segment and business demands.

An example of a divisional mission statement is given below.

Divisional mission statement

Our Values	Our Shared Mission
Parivar	• Team based working system with openness of relationship and sharing true feelings. • Encouragement of individual growth to fullest potential with urge to excel.
Integrity	• Transparency in operations, action and thoughts; no bias against any stakeholder. • Creating commitment culture.
Pursuit of Excellence	• Implementation of EQS, QAS and encourage people to take risk, endure mistake and learning. • Thrust on continuous inprovements, innovation and nurture as learning organisation.
Customer Intimacy	• Consciousness that every transaction has a customer - internal or external, empathize with his need and delight him. • EMS for environment friendly and natural resource conserving safe products and processes.
Social Accountability	• Donation of 500 saplings p.o. for healthy environment. • Social fund creation by employees for education of poor students and contribution towards any eventual calamity.

GROWTH OF THE COMPANY

Crompton Greaves has been one of the major players in the field of electrical Engineering for test over 50 years. Growth of CGL has been slow but steady. It never had a reputation of a fast track, fast growing but unreliable operations. Instead, it has matured itself into an organisation which has a strong technology base, a solid Brand equity and a loyal backing of its shareholders. Company shared a phenomenal growth pattern during period 1993-96. This was primarily due to fast growing Indian economy and company's thrust on technology upgradation. Company's expenditure on R&D was almost doubled during the period 1993-95.

Table 1 *Expenditure on R & D*

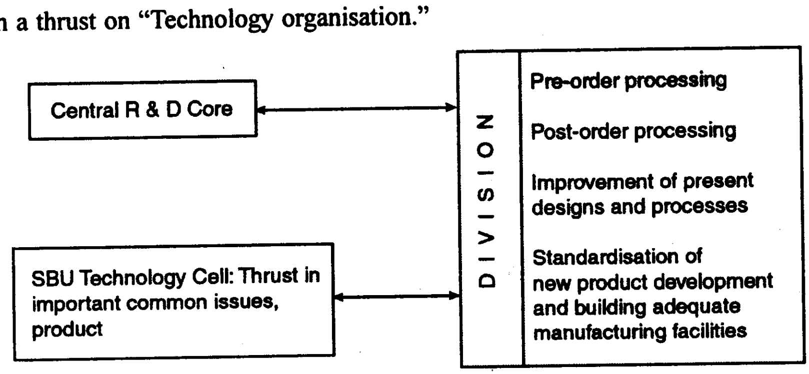
	Expenditure	31.3.94	31.3.94	31.3.95
i	Capital	244 lakhs	452 lakhs	1246 lakhs
ii	Recurring	294 lakhs	290 lakhs	748 lakhs
iii	Contribution to Scientific Research Institutes	63 lakhs	63 lakhs	72 lakhs
iv	Total	601 lakhs	805 lakhs	2066 lakhs
	Total R&D Expenditure as % of Total Turnover	0.77%	0.91%	1.92%

Company signed a number of TOT agreements during this period alongwith a number of joint ventures during the FY 1993-94:

- Sales rose to Rs. 885.58 croses, an increase of 13% over the previous year.
- Pre-tax profit stood at Rs. 37.99 croses against Rs. 16.24 crores of previous year showing an improvement of 134%.
- Export also showed an increase of 17% over previous year at Rs. 92.16 crores.
- Total foreign exchange earned during the financial year was Rs. 9230 lakhs.

Opening of Indian economy gave a boost to company's endeavour to become self-reliant and competitive. To achieve competitive edge by better management of resources and to make every area of business more accountable, company was divided into four strategic business units in 1995-96 with every division of SBU working as a separate profit centre. Each division, headed by a General Manager/Plant Manager has total independence and liberty of managing its resources. This de-centralisation has not only resulted in fast and efficient decision-making process, it has also helped the division to measure their actual performace against the targetted performance apart from making them more accountable.

During the FY 1995-96, business strategy of CGL was reformulated keeping in view the increasing competition and entry of MNCs who were equipped with better technology and resources. Company changed its orientation from a business organisation to a technology organisation and a new corporate policy came into bẹing with a thrust on "Technology organisation."



As a result of this orientation towards technology organisation, three new facilities were established at Mandideep near Bhopal. Most important aspect of these new facilities is that, they belong to that business area of CGL, which company thinks is its core competence area and wants dedicated centres to nurture and develop a technology area on which management has long-term planning.

These three facilities are:

i) Transformer manufacturing plant : Present installed capacity of 500 mva p.a. and capable of manufacturing 800 kv or HVDC transformers.

ii) Traction motor manufacturing plant : Capability of manufacturing 500 motors p.a. alongwith complete Electrics for Indian Railways.

iii) Hydro and turbo generator manufacturing plant : It is a joint venture between CGL and ELIN, Austria, capable of manufacturing generator up to 500 MW.

Other key features of corporate policy includes the following.

INFORMATION TECHNOLOGY IMPLEMENTATION

- Connectivity through E-mail
- Computerisation of all activities
- Integration with globally available knowledge and information through access to nations and international database

TECHNOLOGY - INNOVATION AND PERPETUITY

- Identification of gaps and benchmarking
- Finalisation of vital new projects
- Finalisation of schedule of all chosen projects
- Finalisation of projects for expansion of market base
- Review and monitoring all projects

SBU TECHNOLOGY CELL

- Specific help to divisions to provide additional inputs to accelerate priority assignment
- Support in systems development
- Long-term horizon scan and planning
- Review of participation and effectiveness by divisions
- Audit of new products before launching
- Cross-fertilization of good practices

CUSTOMER SATISFACTION

- Achieve service factor of 90% plus
- Achieve zero overdue status
- Resolve recurring quality problems
- User-friendly formats
- Enhance direct interaction with customer
- Internal customer satisfaction
- Competitor's best practices

OPERATION EFFICIENCY

- Implementation of waste elimination line
- Backward planning of production based on customer delivery requirements
- Vendor upgradation
- Continuous corrective action
- Stores to be treated as a cash box

IMAGE AND COMPETENCE BUILDING

Growth Pattern of Company

Table 2 Performance indicator of the company

	1989/90	*1990/91*	*1991/92*	*1992/93*	*1993/94*	*1994/95*
Gross Sales	51037	61658	72091	78044	88558	107823
Net Sales	45748	55106	63794	69973	82843	99890
PBT	2008	2172	1784	1624	3799	5908
PAT	1308	2122	1084	1149	2999	4258
Material Cost to Sales (%)	65.94	64.12	63.63	64.13	64.13	03.56
Interest to Sales (%)	4.93	5.93	7.07	4.95	4.95	3.69
Working Capital	10749	12708	18034	25490	25490	28727
Capital Employed	19932	25038	30967	446911	46911	58997
ROI (%)	19.04	20.33	20.05	18.29	18.29	18.57
PAT to Net Worth	15.39	25.84	12.39	12.17	12.17	11.10

FINANCIAL RESULTS

Within last decade, gross income of Crompton Greaves has tripled from Rs. 517.32crores in 1990 to Rs.1693.91 crores in 1999. Reserves in surplus have increased from Rs. 66.65 crores in 1990 to Rs. 522.01 crores in 1999. This is in spite of the fact that in last 5 years, company has installed 5 new manufacturing facilities. Fixed Assets of the company increased from Rs. 87.65 crores in 1990 to Rs. 475.01 crores in 1999.

APPLICATION OF FUNDS

Working Capital : 53.66% in FY 98-99 against 51.8% in FY 95-96

Fixed Assets : 37.5% in FY 98-99 against 39.3% in FY 95-96

Investments : 8.8% in FY 98-99 against 8.9% in FY 95-96

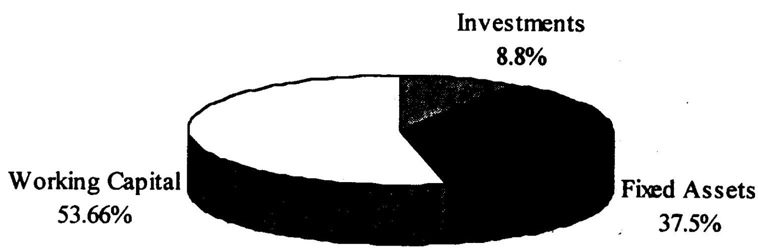


Fig.1 Application of Funds as on 31.03.99

Net worth per equity share (of Rs.10 each) increased from Rs. 44.71 in 1990 to Rs. 110.10 in 1999. Earning per Equity share took a downslide from Rs. 6.81 in 1990 to Rs. 4.43 in 1999. Confidence shown by shareholders is evident from the shareholders funds account which has swelled from Rs. 85.85 crores in 1990 to Rs. 574.16 crores. in 1999.

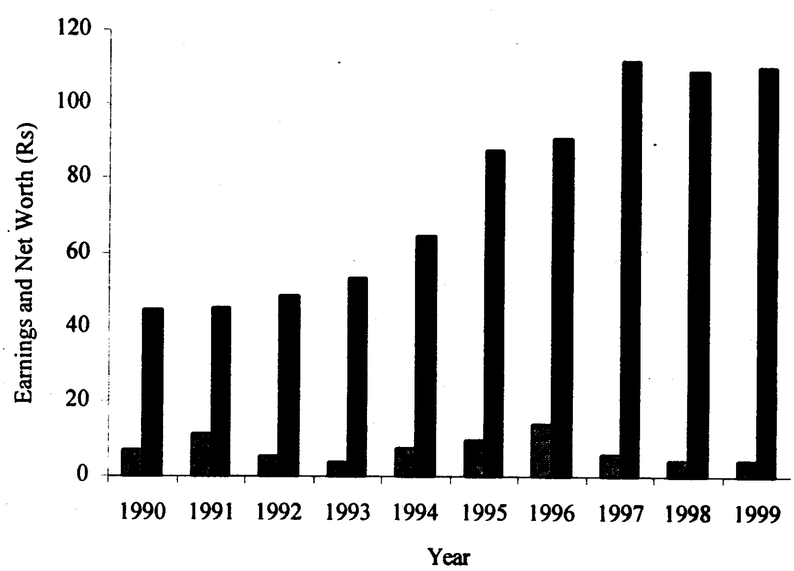


Fig.2 Earnings per Equity Share and Net Worth per Equity Share

Table 3 *Crompton Greaves Limited Annual Report 198-99—Ten Years' Financial Highlights*

(Rs. in Crores)

PARTICULARS	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
OPERATING RESULTS										
Gross Income	1693.91	1594.55	1517.69	1496.21	1080.81	889.58	793.47	729.07	624.38	527.32
Profit before Interest & Tax	103.19	86.80	108.40	137.61	95.95	78.96	67.17	62.92	54.41	42.65
Profit before Tax	24.12	20.62	30.76	80.04	59.08	37.99	16.24	17.84	21.72	20.08
Profit after Tax	23.12	20.62	30.76	64.04	42.58	29.99	11.49	10.84	21.22	13.08
Dividend (Dividend Tax)	14.49	14.36	12.55	22.16	14.51	10.40	4.76	3.84	3.84	3.46
Profit after Tax & Dividend	8.63	6.26	18.21	41.8'	28.07	19.59	6.73	7.00	17.38	9.62
SOURCES OF FUNDS										
Share Capital	52.15	52.15	52.03	4539	44.26	38.90	29.20	19.20	19.20	19.20
Reserves and Surplus	522.01	518.69	529.81	36.34	343.29	212.87	126.64	73.86	67.83	66.65
Shareholder's Funds	574.16	570.84	581.84	411.73	387.55	251.77	155.84	93.06	87.03	85.85
Borrowings	691.19	614.73	384.87	407.87	206.32	222.68	246.55	222.17	168.22	114.33
Funds Employed	1265.35	1185.57	966.71	819.60	593.87	474.45	402.39	315.23	255.25	200.18

APPLICATION OF FUNDS										
Fixed Assets	475.01	455.02	388.05	321.45	234.16	176.06	137.27	122.02	116.94	87.65
Investments	111.26	100.07	79.36	73.19	68.15	38.15	18.64	7.31	6.30	4.18
Working Capital (including Miscellaneous Expenditure)	679.08	630.48	554.72	424.96	291.56	260.24	246.48	185.90	132.01	108.35
Net Assets Employed	1265.35	1185.87	1022.13	89.60	593.87	474.45	402.39	315.23	255.25	200.18
RATIOS										
Earnings per Equity Share of Rs. 10 each (Rs.)	4.43	4.13	6.13	14.1	9.62	7.71	3.93	5.65	11.05	6.81
Dividend %	25	25	25	50	35	30	20	20	20	18
Net worth per Equity Share of Rs. 10 each (Rs.)	110.10	109.45	111.81	90.71	87.56	64.72	53.37	48.47	45.33	44.71

Note: 1. Equity Shares of Rs. 100 each sub-divided into Rs. 10 vith effect from 1.4.1993.
2. Bonus shares issued during 1989-90 in ratio of 1:1.

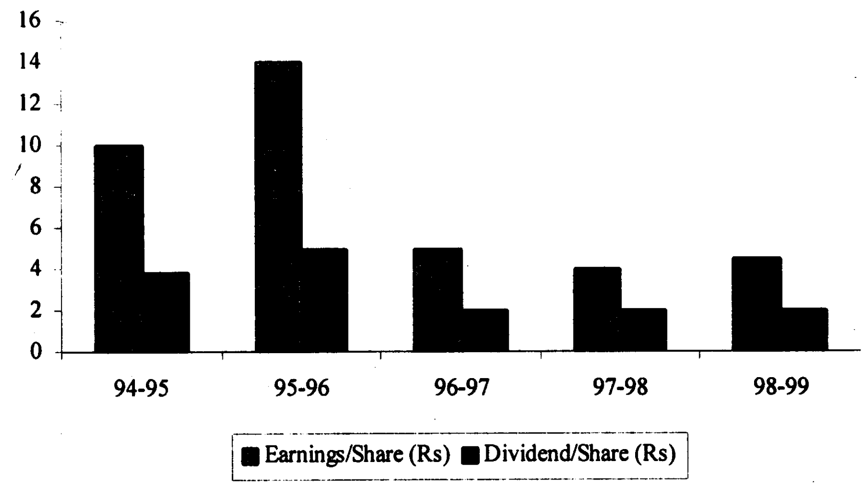


Fig.3 Earnings and Dividend per Share

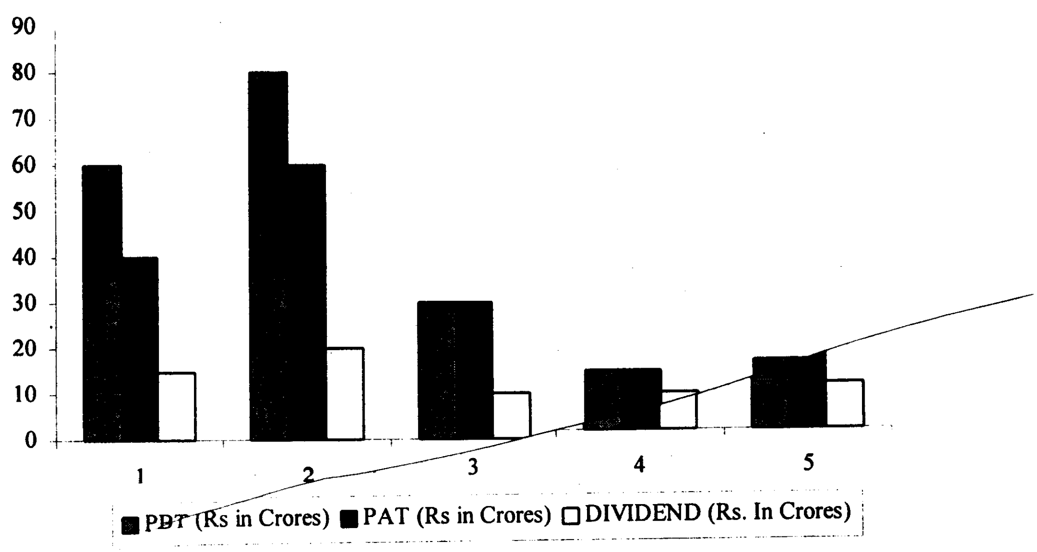


Fig.4 Profitability and Dividend

CASE

II

MODI XEROX

—Amit Govil

Modi Xerox is one of India's largest and leading companies, which has designed machines to help customers enhance their business productivity. Modi Xerox is an integral part of the document company Xerox incorporated in 1983 in technical and financial collaboration with Rank Xerox, UK equipped with state-of-the-art manufacturing facility at Rampur, based in Uttar Pradesh, approximately 200 km from Delhi, with an initial investment of Rs. 37.5 crores. Since 1983 it has come a long way. Modi Xerox is having a market share of 58% with a turnover of Rs. 568 crores. It is the biggest player.

The activity is the upshot of two triggers.

a. Xerox is the international leader in copiers, and has been going through a shift in strategy, worldwide.
b. In Indian documentation market, MX's research shows that of the 200 billion pages used for documenting, 88% is processed through offset, carbon and stencil. That leaves just 12% of the processing through copiers, printers and fax, which is not a big share. One per cent can affect 30 million jump from offset/carbon/stencils. This means that there is a enormous potential for expanding the market.

ACHIEVEMENTS

- No. 1 customer satisfaction wherein 90% of customers are satisfied.
- More than 58% market share in photo copiers and more than 50% in printing systems.
- ISO 14001 certification for a complete environment management system.
- Modi Xerox is the first company in India to receive ISO 9002 certification in office automation and IT industry.

The international and local strategies are inextricably linked, drawing focus from what is happening with office documentation worldwide bound to percolate to India as well. For MX, the immediate concern is how to capture the incremental document volumes and 'into the future' how to ride the shift in documentation modes. This is where the strategy comes in. Recognising the shift in documentation mix, Xerox has developed an intelligent digital platform. It is emerging as a document company, covering document in any form i.e. digital, CD-ROM, multimedia and paper.

To be a recognised document company, and advertising had begun 6 years ago. Around 3 years ago, an advertising campaign, worldwide announced Xerox's alignment with digital technology through the 'X' carrying a pixel-lased through arm. Subsequently new digital models have been launched in India.

Company's vision 2000 is to develop, manufacture, market and finance a range of document products and solutions to enhance customer productivity, make the document persuasive and efficient through making them automated.

Following vision 2000 is vision 2002, which targets a sales turnover of $ 1 billion in India. The company had planned to achieve revenues worth Rs. 750 crores in 1998. But to move from there to Rs. 4000 crore by 2002, it has to think out side the box.

The outside box thinking has given birth to MX's new micro marketing plan. This involves segmenting the user market vertically on standard industrial classification, and horizontally by splitting the market into private organisations, public companies and jobbers. The company has collected the census from 48 cities to draw up a micro marketing plan. The marketing plan is based on the four corporate philosophies

- Customer satisfaction
- Employees motivation and satisfaction
- Market share
- Return on assets

Customer Satisfaction

MX appoints an independent agency to measure customer satisfaction annually. This has been done by the company for the past 8 years. Currently MX has appointed ORG MARG to do this research. This research tells about dissatisfied customers and points out the parameters to solve this problem. Besides this, the company also conducts 90 days survey for post-installed feedback.

Employees Motivation and Satisfaction

Surveys are conducted annually, the findings of which are compared with other xerox companies. This may not be an ideal method due to working conditions being different in different markets, still the company has managed to register an improving trend over the past 6 years.

Market Share

Market share measurement comes through market dynamics measurment. Here the company looks at factors that have brought its market share where it is now—where the company stands in the market place, awareness, coverage, consideration and hit rate.

Return on Assets

Return on assets means hard financial figures since 1983 as a means of improving operating income margins and asset utilisation, thus achieving a premium return on assets.

All these activities provide the necessary backdrop for marketing efforts that includes customer engagement and coverage plan.

GROWTH OF COMPANY

The document company, Modi Xerox has enormously grown over the last decade. In 1992, the company's copier sales was Rs. 158.2 crores which has risen up to Rs. 37.2 crores and in 1998, Rs. 580 crores and the company has a vision to reach Rs. 4000 crores by the end of 2002. The company has achieved this, due to their product innovation, and the four key marketing plans which have provided a platform to achieve the company's objective.

One of the main strategies is "Leadership through quality". The company grows with time and hence now they are going towards digitisation. The company has kept the pace with the changing technology. The company believes that digital market is likely to grow here though demand for the non digital range that will continue to be high during the early years of the 21st century.

HUMAN RESOURCE

Customers are being divided into segments and respective accounts are handled by specialised account managers, global accountant, local accountant, named account and general and mass market managers. The rest of the customers are handled by sales promotion agents (dealers, partners). Through this method there is a fleet of 1000 feet of street people for the products.

The company also has telemarketing and telesales programmes. Tele marketing plays a support role, marketing mostly to small organisations with around 20 employees. The telesales team is able to access relevant geographical customers spread on computers each district is split up into defined areas that each person must top.

Apart from this the company has made available various facilities like housing buses, canteen, club, fair price shop, school, bank, and hospitals for the employees. The company also provides training for its employees at regular intervals.

(MXTC) Modi Xerox Training Centre is fully equipped to carry out training programmes for all Modi Xerox employees. The company also has a Research and Development Centre. Every employee goes through a training programme on quality within 90 days of his/her joining.

STRATEGY AND OPERATION

The key strategies are based on marketing plan which includes customer satisfaction, employees motivation and satisfaction, market share and return on assets.

The company has a very effective advertising policy with specific advertising on newly launched products when required. MX advertises only in the print media on which it spent Rs. 4.5 crore in 1997, but the total promotional money spent last year was Rs. 8.5 crores which also included spending on more than 100 exclusive road shows across the country. The company increases the advertising budget every year depending on market dynamics.

There are various long-term policies which are set by the company.

- To increase the market share.
- To become the 1 billion company by 2002.

MODI XEROX QUALITY POLICY

Modi Xerox is a quality company; quality is its basic business principle. Quality means providing our external and internal customers with innovative products and services that fully satisfy their requirements. Quality improvement is the job of every MX employee.

LEADERSHIP THROUGH QUALITY

Leadership through quality is both a strategy (continuous pursuit) of quality improvement and a process (a fundamental business principle on which all work processes are based). Leadership through quality is fostered by the management at all levels and is seen as a proactive approach rather than a reactive approach.

CASE

III

KINETIC ELEVATORS LIMITED

— Deepak Despande

Kinetic Elevators Ltd. was established by Mr S.G.Gupta a few decades ago at Ahmedabad. Kinetic Elevator has completed numerous lifts installations of Automatic/Manual Passenger Lifts, Goods Lifts, Service Lifts, Hospital Lifts all over India and became a leading lift maker, employing about 200 people with wide inetwork. Kinetic Elevator offers installation, maintenance, overhauling, modernisation, engineering, production and consultation of Elevators, Escalators, Parking Systems, Moving walks. Kinetic has developed KRS—Kinetic Rescue System, EMS—Elevator Management System, BMS—Building Management System for advance safety and security in elevators and building. Kinetic staffs of highly qualified professionals give best returns of the customer's budget and time. Kinetic always takes pride of its people for their expertise, innovation, skill, serviceability and excellence in performance of Vertical Transportation Systems.

Kinetic Elevators is specialised in Hydraulic Elevators and Traction Elevators with a speed upto 5.00 m/s and capacity ranges upto 10,000 kg. Kinetic is successful in satisfying client's requested special lifts. Consultants, architects and developers are welcome for planning, consulting and drawing for their projects. Kinetic's wide elevators range includes

- High-Speed Passenger Elevators
- Glass-Vision (Scenic) Elevators
- Hospital Elevators
- Capsule Elevators
- Stair-Way Elevators
- Goods Elevators
- Dumb-Walters
- Industrial Elevators

All these elevators are available with gear and gearless drive. Choice is also available in types of doors.

1. Manual Doors

- Collapsible Doors
- Impeforated Doors
- Swing Doors

2. Automatic Doors

- Center-Opening Doors
- Telescopic Doors
- Vertical Biparting Doors

VISION AND MISSION

Kinetic Elevators has a very clear vision to continue serving to the customers through its technological expertise and adherence to total quality. Kinetic Elevators desires to achieve the same through its dedicated team members who are always for innovations.

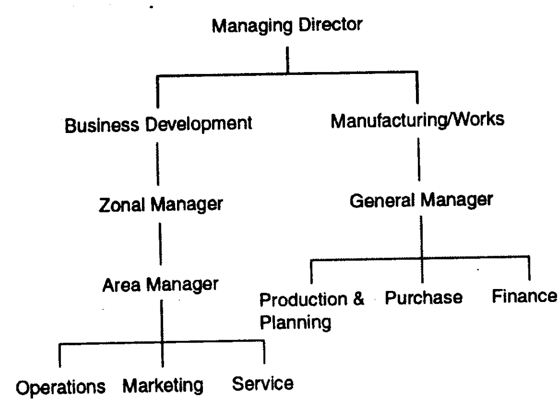
The mission statement of Kinetic Elevators is "We Care for Your Safety". The mission statement very well indicates the importance given to the public safety because Kinetic has learned a lot through its past experience in this area. Kinetic is highly successful in its mission with 0% accidents taking place thanks to the high quality standards it follows and technological benefits it avails.

GROWTH OF THE COMPANY

In a short span of time the company has grown to an extent to compete all the major players in the market. Kinetic Elevators is all set to have the largest share of the vertical transportation market in India, which itself is growing at a very good rate of 30% per annum. Kinetic Elevators witnessed this growth by adapting market leader policies as far as product innovations are concerned. Kinetic was among the first few companies to introduce systems like Kinetic Rescue Guard, VWF Control, etc. Kinetic is continuing the trend by introducing EMS (Elevator Management System) and BMS (Building Management System). One more reason for the growth Kinetic experienced is its emphasis on service part of it. With a team of highly skilled technicians and engineers and training facilities, Kinetic is the best as far as service is concerned.

CULTURE OF THE ORGANISATION

a) Organisational chart



b) Kinetic Elevators believes in total quality management. Every person in Kinetic Elevators is bound to quality and customer satisfaction. Kinetic has a team of highly motivated employees who always put their maximum towards the common goal. All the departments work together to get the synergy effect.

KEY STRATEGIES OF THE COMPANY

1. Kinetic has a strategy to make available quality product at moderate cost the main aim of which is to gain more and more market share.
2. Kinetic gives special attention to service to get repeat sales.

Work Flow Diagram or Operational Chart

1. Order received by marketing department.
2. Drawing and plan of the building received.
3. Plan studied by the design departmemt. Revised plan suggested if needed.
4. Revised plan received and approved.
5. Revised plan given to the customer.
6. Project planning by operation department.
7. Material specifications and requirement given to the production department.
8. Production planning.
9. Schedule and project plan given to the customer.
10. Site preparation details given to the customer
11. Project execution
12. Inspection
13. Review and corrective measures

14. Project hand over
15. Monthly servicing schedule given to the customer
16. Closing the deal by marketing department.

SYNOPSES

Kinetic through its strategies has completed over thousand erections in the country and has a turnover around Rs.12 Crs. It intends to serve the domestic as well as the foreign market in future with the same ideology and become largest supplier of vertical transportation systems.

CASE

IV

Co-eff Friction Bands Pvt Ltd

—Ashish Kulkarni

"Corporate excellence is not a divine gift. It is an achievement of the people in an organisation. We too shall achieve it."

Co-Eff Friction Bands Private Limited, Pune is engaged in manufacturing, exporting and marketing of quality industrial friction products of various high performance industrial machines for torque, acceleration and retardation. "Most of these products are made on IS and BS quality standards. The range of products includes Non-Asbestos Brake and Clutch Lining Friction material and Bonded Asbestos Brake Liner (in roll form) and Friction Articles thereof (sheets, rolls, strips, cones, cups, segments, disc, pad and blocks) for industrial, marine and automotive earth mover applications.

Co-Eff Friction Bands Private Limited is an Industrial and earthmovers equipment supplier since 1992. Co-Eff make products, the tough once both on and off the race-track of worldwide supplier of advanced interior products and system for industries, marine, defence and other selected markets for the OE manufactures and aftermarket, traditionally limited to formed headliners, break bands, conical clutches and components. They supply standard products to marine, textile, sugar, pulp and paper, mechanical, forging, domestic and industrial washing machine industries.

Co-Eff and its another division Quality Friction Company is leading world wide supplier of UEM and aftermarket components, system and technology as well as products innovations to the automotive earthmovers, marine, defence and heavy duty high performance machinery for industries.

Since 1992 till date Co-Eff Friction Bands Pvt. Ltd. has come a long way resserting its commitment to quality and customer satisfaction. At every step their motto has been service that brings smile through the products they make for the various industrial applications. Besides these, Co-Eff friction Bands Pvt. Ltd. also manufactures the custom made friction product as per customer specification, design and drawings. It takes orders of brake cups and rings to be made as per samples. It also undertakes the orders of industrial brake and clutch services, relining of bands and clutches (emergency service available) as mentioned in the brochure. This addition is synergic to the existing product range. The reason for constant development of Co-Eff is its quality.

As they strive for continuous improvement in quality. Their primary emphasis is on satisfying customer expectations through world class quality, advanced product engineering CAD/CAM design, material technology, outstanding customer service and cost competitiveness. However dedication to quality is total. Each and every product is checked 100% and therefore customer satisfaction is guaranteed. All products confirm to HS code where standard is available. Most of these products are available off the shelf through some high value products are manufacture on the receipt of order.

QUALITY POLICY

Co-Eff would continuously strive to improve its work culture by training its manpower, being system oriented and fair to all, thereby leading to employee satisfaction.

As a manufacturing and marketing organisation, Co-Eff manufactures and market only top quality products and supplies the right material at the right time and at the right place.

The ultimate objective would be to delight the customer and establish themselves as the best manufacturing and marketing organisation.

PHILOSOPHY

Corporate

To ensure a perfect match between the requirements of corporate growth and socio-economic well being of the members of the team. Excellence in performance is the only viable tool to forge such a match.

Human Resource

Co-Eff team members are it's greatest asset. Co-Eff shall provide encouragement for innovation and entrepreneurship and full opportunities for it's employees to grow to the limit of their desire and ability.

Co-Eff believes in career development of its employees through need based training and development, object oriented appraisal system, atmosphere of open, honest communication and trust.

Co-Eff's endeavor is to create a culture of motivation for excellence and sense of pride, belongingness, pleasure and social fulfillment in being a member of Co-Eff.

It calls upon every employee to instill a collective commitment to a common mission and goals to foster distinctive competence for achieving superior performance and above all to treat customer delight as the core mega value of Co-Eff family.

POLICIES

Higher formal education may be necessary but not enough basis for employment in light. Co-Eff values proven track record, commitment to and involvement with the entrusted responsibilities, personal integrity and loyalty to the organisation.

Human Resource

"Tomorrow Needs Tomorrow's Skills", recognising this great fact Co-Eff will put the required efforts today in educating its employees through training and development. An employee will be exposed to need based training and development programs, at all levels to improve their vocational, professional and behavioral skills. Of course the urge to learn and develop comes from within person. Outside agencies can only spur that urge to learn, develop and grow.

Appraisal The company will encourage and develop its employees to grow within the organisation by appreciating their strong points and identifying corrective action of fthe shortcoming of the individuals through perfomance appraisal system.

Remuneration People in Co-Eff shall grow with Co-Eff and at any time one's remuneration and package shall be favorably compared with organisations of its size and age but they are rationally convinced that employees of any organisation cannot have a larger share without enlarging the size of corporate cake.

Growth and promotion Mere number of years of service or age is not a criteria but consistence in achieving set targets and display of potential for growth by way of sharing larger and greater responsibilities and acquiring higher skills are the sole basis for promotion and growth of an employee.

SYSTEM APPROACH

Co-Eff is operating on systems rather than on individual approach. Detailed procedure have been laid down for performing various activities. The company's success lies in following the proper procedures consistantly, until and unless the procedure itself is changed for improvements and are institutionalised.

DISCIPLINE

Co-Eff believes that its employees should be disciplined themselves as it is the only way to create the orderliness and harmony. Threat, punishment cannot create lasting discipline.

Co-Eff approach to discipline is—Fair and Firm.

INDUCTION

New employee shall undergo an induction training programme which will be carried out as per the schedule of induction training module. The employee shall be provided with a copy of Induction Manual at the time of joining.

Induction training will provide him with the insight of systems being followed in Co-Eff operations.

PROCEDURES

Grades

Employees will be designated as under in different grades.

DESIGNATION	GRADE
Managing Director (M.D.)	—
Executive Director	M6
General Manager (G.M.)	M5
Manager (M)	M4
Assistant Manager (A.M.)	M3
Senior Executive (S.E.)	M2
Executive (E)	M1
Senior Officer (S.O.)	O3
Officer (O)	O3
Assistant Officer (A.O.)	O1
Staff (ST)	ST
Supervisor (SP)	S3
Workers (SW)	S1

TOWARDS CORPORATE SELFHOOD

Mission Statement

CO-EFF will strive to become the best manufacturing and exporting organisation in the country dealing in industrial friction material.

GOALS OF THE COMPANY

CO-EFF four basic goals to be achieved by the year 2002.

i. To become the quality leader in the manufacturing industrial friction material.
ii. To acquire capability to service customer's requirements with in an hour.
iii. To achieve a sales turnover of Rs.10 crores.
iv. To capture a market share of 20% for the products Co-Eff deals with.

STRATEGIES OF THE COMPANY TO ACHIEVE THE TARGET

For achieving the above stated goals, Co-Eff has envisioned a six pronged strategy consisting of:

i. A national network of branches and dealers.
ii. Constant addition of quality friction components to the existing range of products.
iii. Adoption and effective use of the available communication technology.
iv. Building a committed and disciplined task force. Launching a massive publicity campaign highlighting the quality of our products.
v. Implementing quality system confirming to international standard series.
vi. Being fair to employees, customer and society.

CASE

V

SURUCHI DAIRY INDUSTRIES PVT LTD

— Prakash Kaswad

Suruchi Dairy Industries Pvt. Ltd., Pune was promoted by five enterprising farmers in Shirur Taluka of Pune District, viz. Mr. Prataprao Gawade who is also an MLA, Mr.B.R.Kale, Mr. B.B.Kawad, Mr. Prakash Pawar and Mr. Dandawate and it started its operations on 1st July 1998. The formation of the company was solely aimed at making available, the milk producers of the region, a regular market for their milk and that too at fair prices. But in these three years of operation the company has learned and achieved a lot in satisfying the market demands. The company has changed its marketing strategies and product mix from time to time to achieve the overall organisational goal.

The present business the company is doing

Collection of 40,000 lts/day

Sales of 40,000 lts/day

(Mumbai and New Bombay—25,000 lt; Pimpri Chinchwad and Pune—15,000 lt)

Product Categories

1) Cow milk
2) Double tonned milk

Brands

1) Suruchi - fat level above 3.7 per ltr. - Best Quality milk
2) Kaweri - fat level @ 3.5 per ltr - Quality at reasonable price
3) Morning - fat level below 1.5 - Less fast high proteins

VISION AND MISSION

The reason of existence of Suruchi Dairy Industries (P) Ltd. is "To make available, for the milk producers of the area, a permanent market and fair prices for their milk."

In an effort to achieve the above said objective the company has witnessed continuous changes in its strategies and policy lines. It is this customised approach that has helped the company to achieve its main objective as well as to satisfy market demands.

GROWTH OF THE COMPANY

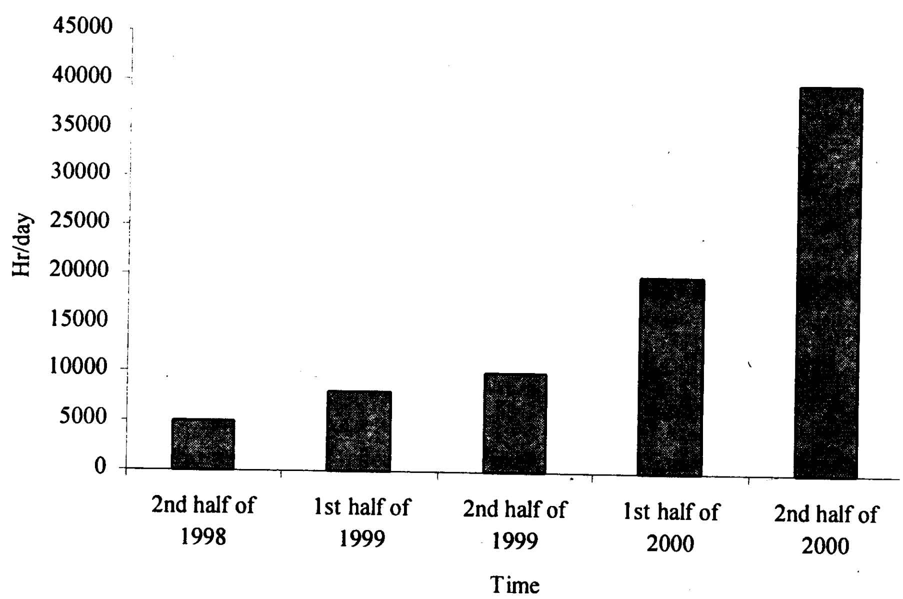


Fig. 1 Sales of Suruchi Dairy Industries

The company has grown considerably over a period of three years, from a 5,000 ltrs/day to a whooping 40,000 ltr/day i.e. a growth of 700% in three years. In the beginning, the company was not growing to the expectations of its promoters. After a market survey, it was found that the reasons for this stagnation are

1) Heavy price competition from other milk producers.
2) Selection of dealers not proper.
3) Due attention not given to the service aspect.

The management decided following remedies to overcome the obstacles listed above

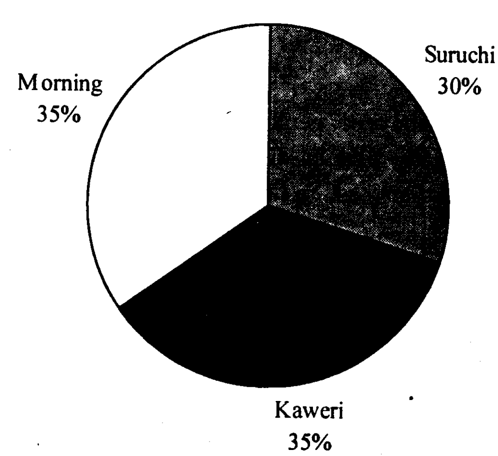
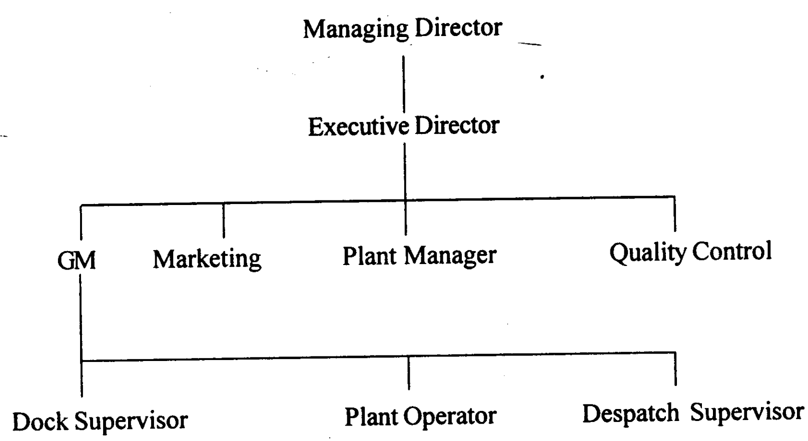


Fig. 2 Different Brands of Suruchi Dairy

1) It introduced two more brands viz. Kaweri and Morning with less fats and offcourse less prices to cope up with the price competition. Thus the product mix was changed to suit market requirements.
2) Even the price mix was changed a bit to attract established dealers to keep our products. Discounts about 5% were offered for the main channel partners on heavy trades thus enabling effective restructuring of the distribution network.
3) The low fat products were positioned in such a way so as to carve their own nishe'. E. g. The punch line on Morning Doodh says it is having low fats and more proteins catering to the health conscious people.
4) The company bought few more vehicles to improve its service. (total no. of vehicles 11)

CULTURE OF THE ORGANISATION

a) Organisational chart: No of employees 70



The company has a very healthy atmosphere and a very strong work ethics. Any employee of the company can have a communication with the executive director by-passing the channel in between.

The company believes that these is always a better way of doing anything and scope for improvement.

GOAL OF THE COMPANY

By year 2002 the company has a target of 60,000 ltr/day.

KEY STRATEGIES OF THE COMPANY TO ACHIEVE THE TARGET

1. Suruchi Diary has a strategy to act quickly to the market demands to maintain its growth rate.

2. At present the company is more concerned about the brand equity of its Suruchi brand and increase its market share by concentrating on service and effective dealer management.

Plant and Machineries

1)	Chiller	Alfa laval	10000 ltr/Hr
2)	Pasteuriser	Alfa laval	5000 ltr/Hr
3)	Homogeniser	APV Gauline-Germany	5000ltr/Hr
4)	Packaging Machine	Nichrome 2 no.	2500 ltr/Hr

Thus with its proper marketing mix the company is all set to be one of the market leaders in near future and sure to meet its organisational objective.

CASE

VI

HYDROPACK (INDIA) PVT LTD

—Sudhir Darekar

It all started in 1989 when 5 young, dynamic, enthusiastic, highly confident individuals from different disciplines, but masters in their respective areas joined hands and established a small manufacturing unit in the field of hydraulics and fluid power system. It was a regular, formal small-scale industry known as Hydropack India.

As time went by the unit started growing in prominence and gradually attained an expertise in the field and is today known as Hydropack India Pvt. Ltd.

The company has made tremendous impact at the national level for its quality products, fair approach to business and business ethics. The company has manufactured and supplied special types of equipments which are export oriented and treated as "import substitutes" for which the company has been honoured by the Ministers of State and Government organisations.

It has taken lots of years, tremendous amount of hard work, utter dedication, unshakable confidence and sweat and blood. The company's employees are taught, looked after, cared and carefully nurtured so that their ideas and spirit flow freely unhindered by red tape, bureaucracy and supervision.

The men credited for the success of Hydropack India Pvt. Ltd.'s management system are

- Mr. Sudhir Darekar (Managing Director)
- Mr. Srinivas Huddar (Technical Director)
- Mr. Raghuraj Jakati (Director Finance)
- Mr. Maruthi Patil (Director)
- Mr. Ramakrishnan (Director)

VISION AND MISSION

Among the principles that the company espouses have to do with trust, transparency, freedom of expression and an opportunity to learn.

The company strives to improve quality consistently. This would be at par with customer expectations.

Vision Statement

The company will strive to manufacture best hydraulic equipments to national and international standards and be the market leader.

Mission Statement

To strive for excellence and cost effectiveness by doing right work at first time.

GROWTH OF THE COMPANY

The company specialises in the manufacture of

- Hydraulic jacks
- Hydraulic cylinders
- Hydraulic presses
- Hand-pumps
- Power packs

Besides it also manufactures special equipment for

- Valve testing
- Plywood/Rubber moulding
- Load testing - spun pipe, concrete sleepers, compression testing
- Pressure testing
- Gang operated jacking system for load movements.

In 1993, the company was awarded a contract from SHAR Center, Shriharikota to design, manufacture, erect and commission a Hydraulic System for Satellite / PSLV launching pad which was successfully executed. This was an additional feather in the cap for the company, as earlier the Indian Government had to depend for the system on foreign suppliers such as NASA etc.

Among the successfully developed custom built products are

- Bowl Hub Removal Fixture : 600 / 800 T for Thermal Power
- Hydraulic Brake Assemblies : Single/Double Acting for Hydro Generators
- Hydraulic Bolt Tensioners : for Heavy Electrical and Thermal Power/ Engineering Industries
- Lifting Tables & Platforms : for Heavy Engineering Industries/ Railways
- Hydraulic Torque Wrenches : Import substitute for Thermal Power/ Earth Moving/Engineering Industries
- Hydraulic Torque Masters : Import substitute for Tyre Industries
- Telescopic Gang Operated Jacks : for Bridge Construction and Railways

- Strand Systems : for Bridge Constructions
- Hydraulic Power Packs : for Marine Engineering and Machine Tools

The products are developed indigenously and are well accepted in the national market.

CULTURE OF THE ORGANISATION

The heart of the company is its people. The culture contains simple but effective ways of living and behaving. Some tips to good living are

- Do not lie
- Do not waste
- Be clean and keep your surroundings clean
- Improve
- Satisfy your customer

The fame of the company rests on its four pillars. They are

- R & D engineering
- Quality control
- Marketing network
- Prompt after sales services

The R & D center is equipped with CAD facility for improved and faster product development. All the activities are interlinked through simple principle of immediate customer. The philosophy is to satisfy the immediate customer thereby satisfying the ultimate customer.

STRATEGIES AND OPERATIONS

The items/components needed for the manufacturing process are procured from a dedicated chain of suppliers. Most of the suppliers are located in and around Belgaum. Remaining are distributed all over India.

Manufacturing Process

The company has a Quality Control Department through which quality assurance methods are adopted, such as

- Chips are drawn from the raw material which is to be used for manufacturing and sent for chemical analysis.
- On receipt of the chemical reports and conformation of its suitability, it is sent for rough machining.
- During rough machining periodical checks for the dimension are carried out.
- Necessary welding of parts such as handles, delivery ports, delivery boss, etc. are done and checked for any leakage/cracks and then sent for heat treatment if required.

- Once the required RC is obtained finish machining is done and the cylinder / jack barrel is honed to the required size.
- The cylinder/jack ram is ground finished, hard chrome plated and finish grinding is done.
- After assembly the rated product is primer coated and kept for testing. Inspection for dimensional, functional, performance, load and overload are carried out and the reports maintained by the company

QC which may be again inspected by third party inspecting agencies such as CQS, BHEL, RITES, IRS, BVQL, etc.

Testing Facility Available

- 200 T Capacity Closed Frame Hydraulic Test Rig.
- 50 T Capacity H frame Hydraulic Test Rig.
- Hydraulic Power pack push button operated having cycle counter.
- Company is equipped with the required measuring instruments for line inspection.
- Sources are available in and around location of the factory to carry our the chemical, ultrasonic tests.

Application of Company Products

The company is well known for its System Engineering and Quality products in the following areas

Ship Construction	Railways	Thermal Powers
Civil Engineering	Machine Tools	Rubber Industries
Power Generation	Air craft	Chemical Industries
Wood Industries	Tyre Industries	Automibles
Material Handling	Steel Plants	Road Building
Foundry	Process Industry	Space/Atomic Energy
Laboratories	Refineries	
Research/Educational Institute	Constructions/Civil Engineering	

FINANCIAL RESULTS

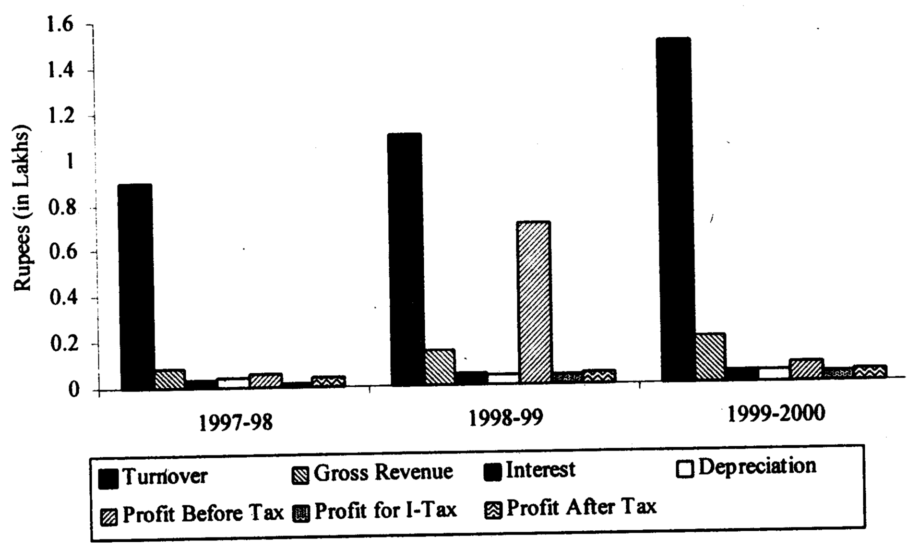


Fig. 1 Company Financial Results

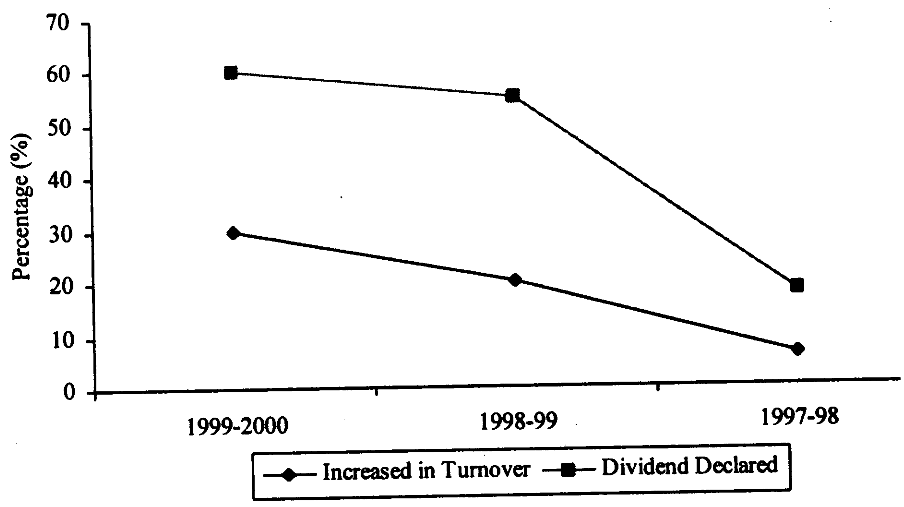


Fig. 2 Turnover and Dividend Declaration

CASE

VII

Advertising Agencies— Strategies for Marketing of Professional Support Services

—S. Lomash

We find today a boom in service sector, the growth rates have been phenomenal. In developed countries the share of service sector is more than 50% and in India also it is rapidly rising. It has already crossed Rs. 1000 crore mark and is expected to further rise due to new business environment created due to liberalisation and consumerism which is tapping at the doors of different sectors.

UNDERSTANDING MARKETING CONCEPTS RELATED TO AGENCY

The generic marketers create value through configurations, valuations, symbolisations and facilitations. In advertising world, the configuration includes total range of services offered, valuation is through media commission earnings, symbolisation in perception of audience and viewers through positioning by size, creative and innovative talent services, markets and its segments etc. and facilitation is by way of ease with which a client can use the services offered. In addition to these, the personnel, physical facilities and process management are also crucial. This is due to the fact that production and consumption interactions are important ingredients of service sector. Service is also a non-standard product and many a times during deliberations it may be revealed that promotion through market research may be more needed than through advertising.

Services are also intangible. There is no physical product which can be offered. An agency may be selling time and space on air and press and evaluation is based on feedbacks. In service the quality keeps on changing with each contract due to change in contract specifications itself and hence consistency in quality is quite difficult.

GROWTH AND PERSPECTIVE

Agency is said to grow if client grow. Hence the growth of agency is essentially dependent variable. The agency outwardly may be involved in executing films, scrips and media buying, art work etc. but their objective may be to build brands, increase market share, explore and penetrate new markets, add to product development etc. for their client. It has to work for a client organisation and grow with it and yet it is different from it.

The rate of growth is dependent on style of marketing which may be minimal wherein they aspire to get work based on their good work, hard selling wherein objective is to grab a substantial market share through price discounts, referral commissions etc. The professional approach consists of planning for long range objectives and define strategies accordingly, imparting training inputs to staff for their growth, allocating resources and ensuring the desired quality of service to clients.

POSITIONING OF AGENCIES AND CORRESPONDING STRATEGIES

Client look at agencies in different ways. Some look for big agencies and the others small agencies. The word big here has many connotations like large intrastructural backed network of branches spread out in different areas of interests. The word small reflects agility, personalised service adaptability, innovation, effort in real value direction, etc.

The positioning of agencies may be done due to the level of creative value addition. Some agencies are strikingly different in their approach and believe in creativity whereas others don't. The creativity may be used for communication difference also. Certain agencies are good thinkers and may discuss marketing with clients for their strategies. The positioning may done based on special skills like media planning, management, timeliness etc. The positioning may be done with regard to markets and price also.

STRATEGIES WITH REFERENCE TO CLIENTS

Strategies for all the customers of agencies are not the same. Strategies vary with various factors like size, brand, age, resources, etc.

During entrepreneurial phase, the agencies have to be quick responsive to decision making. The agency usually offers personalised services to entrepreneur thus looking for quick and bold decisions. The person from agency must be mature and do meticulous account planning. The focus is usually on low cost and unconventional media planning. Agency must realise that this phase is of survival and the focus should be on brand positioning.

EXISTING PLAYERS

There can be two unique conditions, viz. (1) client's growth is faster than rate at which market grows and (2) second market growth is faster than that of client. In the first case effort is to make a strategic move for building the brand a market leader while in the later it may be necessary to plan out strategies by which the brand becomes an active player. The agency should promote formalised decision making which should be outcome of meticulous account planning.

LEADERS

When brands are in dominant position, market shares can hardly expand and hence the key force is to maintain the existing position of a brand. Plan and strategies have to be evolved by way of which competitor's strategies will have to be pre-emptive and defensive. The brand position may be challenged by imitators against which it is to be guarded. The decision making is formalised and follows hierarchial structure.

CHANGING STRATEGY IN SIZE OF AGENCY

Small agencies due to limitations of funds and available structures do not deal with large brands. In fact, the agencies have to search for the right clients whereby success of product becomes a synonym to the success of an agency. Small agencies also offer some specialised services, which is their strength, and cases where small agencies have large brands, their incomes depend on them. This becomes both an advantage and a disadvantage.

A medium agency invests in both, i. e. the present and future and has balanced client mix. It has some brand leaders, brand players, and small clients who have a potential to become leaders in future.

A leader agency sets industry standards. Its additional task is not only publishing market indices but also training aspiring professionals. One of their objectives is to bring about overall improvements in business environment of agencies.

CONCLUSION

Business of agencies is different compared to that of industries. Advertising is a business of managing clients on one hand and employees at the other hand. It is an intelligent work requiring bringing our different between two products. A successful agency creates a specific position for itself in the market.

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CASE

VIII

SONALIKA GROUP OF INDUSTRIES

— Om Tyagi

"Sonalika" came into existance in 1967, as a small scale Agricultural Equipment manufacturing unit at Hoshiarpur near Jalandhar in Punjab. The name came from a very famous variety of wheat seed developed by Dr. Bholkar, named as "Sonalika". This variety was known for its high grain quality and yield per hector and with this began, the "era of green revolution" in India. In the initial days of establishment of Sonalika group, its sole unit "M/s Sonalika Agriculture Industries" was engaged in manufacturing tractor drawn agricultural implements. A year later, it started manufacturing threshers on a small scale. In 1969, when demand of its threshers increased, a separate company named "M/s Sonalika International" was born to exclusively manufacture and market wheat and paddy threshers. In the subsequent years, the company developed multicrop threshers and almost all kinds of agricultural implements and equipment including submersible pumps. In order to take care of requirement of cast iron components needed in agricultural equipments, Sonalika established another firm in the name of "M/s Casting Corporation of India" in 1973. In the year 1975, a separate unit to produce higher power agricultural implements, the Sonalika group raised another unit, "M/s punjab Agriculture Industries". The "Sonalika" brand name was accepted so well by the Indian farmers that it captured nearly 65% of the market in 1990, in farm equipment market in India. A survey conducted in 1992 on agricultural implement manufacturers' production in the organised sector and sale in the country revealed that "Sonalika" had infact captured over 85% of the threshers market.

BUSINESS DIVERSIFICATION

In the process of business expansion and furthering growth prospects of the group, in 1994, the management of Sonalika, planned to diversify into manufacturing and marketing of agricultural tractors. This was primarily driven by the fact that tractor was a single main machine owned / to be owned by a farmer. Since Sonalika had established itself as a household name in farming community, the expected level of acceptance of product was almost assured. Thus the development of agricultural tractors started towards the end of calendar year 1995.

The company entered into a technology transfer agreement with CMERI for design of tractor gear box. The same institution had designed and developed tractor gear box for M/s Punjab Tractors Limited. This Punjab based (Mohali, near Chandigarh) company is engaged in manufacturing and marketing of "Swaraj" brand of agricultural tractors. Initially Sonalika developed a 40 hp tractor. The prime-mover, a 40 hp engine requirement was (and for this model even today) fulfilled by Simpson, a Chennai based Amalgamation Group Company.

Table 1 *Sonalika Group of Industries: Total Product Range*

Existing	Proposed
Tractors 30 Hp to 60 Hp	Tractors 65 Hp to 150 Hp
Multicrop Threshers	4 wheelers (Jeep)
Combine Harvesters	Two Wheeler (M/Cycles)
Crop Reapers	Multi-utility Vehicle (Track-car)
Potato Planters	
Maize Shellers	
Paddy Threshers	
Seed cum Fertilizer Planters	
Submersible Pumps	
Stationary Engines	

Entry into Indian Tractor Market

With the development of its 40 hp tractor, Sonalika floated another company as "M/s International Tractors Limited" in 1995. Its first tractor rolled out in September 1996. For over one year, the company concentrated on establishing its lone 40 hp tractor model. In the second year, it developed tractors with 30 hp and 50 hp engine again bought from Simpson. Today, ITL manufactures and markets about 21 tractor models in the range from 30 to 60 horse power. It has appointed over 500 tractor dealers in the country including Nepal. Twenty-two tractor distributors in the country support the supply line.

In-House developments

With the prime mover (Engine) support from an outside company, it was felt that in near future it may become difficult to grow at the pace, the Sonalika was habitual of growing. That generated the need to develop company's own engine. The company, therefore, went into a technical collaboration in 1999 with Zetormatic of Checkoslovakia for engine development. This technical tie-up provided the company with design of engines from 30 hp to 60 hp. In the same year, the company established a state-of-the- art tractor manufacturing plant spread over 100 acres. This plant has installed annual capacity of producing 40,000 tractors. Here, the company has its own gear and gear-box component manufacturing unit, engine component manufacturing and assembly unit and fully automatic conveyorised tractor assembly line. An imported paint shop bought from Heydon of Germany, for world class product in terms of paint quality, supports the tractor assembly line.

Foreign Collaboration

The company's vision was not to limit itself to the Indian tractor market alone. It had plans to generate foreign exchequer for the country as well. With this viewpoint, the company entered into a three-tier tie-up with "Renault Agriculture of France" towards the end of the year 1999. The tie-up includes

1. Technology transfer for tractors from 55 hp to 150 hp.
2. Financial participation with 20% equity stakes of Renault.
3. Overseas marketing tie-up for existing set-up of Renault Agriculture of France spread in nearly 50 countries in the world.

Export Set-up

It was not enough to depend upon the set-up of Renault Agriculture of France available world-wide. Sonalika has established an altogether separate company in the year 2000, "M/s Renault Sonalika International" with its headquaters at Mauritius, to manage export of its tractors and other products. This has a 40:60 equity participation of Sonalika and Renault respectively.

MANPOWER

Sonalika has a total manpower strength of about 2500 people including well educated and competitively trained engineers and business managers. Out of this, a total blue collar strength is about 2000 numbers.

COMPANY'S VISION : MARKET LEADERSHIP ORIENTATION

Sonalika has its eye on number one position on manufacturing and marketing agricultural farm equipment. The "Vision Statement" of the company reads as

"To be number one company in the field of agricultural equipment manufacturing and marketing in India & amongst top 10 farm mechanistion companies in the world by providing 'Total Farm Solution' to the farmers."

Analysis

Sonalika has primarily been a company engaged in manufacturing and marketing farm equipments. It has the largest dealer network in the country. In a period of less than 5 years, the company has developed biggest range of tractors. It has established itself as a household name in the farming community over the past 34 years. Its product range today covers almost all farming needs in India. It is the first tractor company in India to have joined hands with major European giant in farm mechanisation and agriculture development in developed markets. All these factors point towards a growth rate faster than any other player in the country in this sector and so this vision.

COMPANY'S MISSION: A TIME BOUND PLAN OF GROWTH

Sonalika has a mission for time bound growth. Its Mission Statement reads as

"It shall be our endeavor to retain & gain on our existing customer base of 85% in threshers market in India by providing efficient and quality after sales service, to attain minimum 22% market share in tractors business by 2005 & thus be number one in this industry in India, to launch new tractor model every six month, to launch company's own four wheel commercial vehicle & multi-utility vehicle by 2002 and to develop and pilot launch two-wheeler by 2003."

Analysis

Sonalika believes in retaining its customers and building growth on its relationship with its product users. It emphasises on quality and after sales service. It has planned introduction of products at regular intervals. The strength of Sonalika is its fast pace of development of new products. Though it is relatively new in tractor industry but as the current annual growth rate is over 55%, the company, it makes the company to eye larger share in comparatively shorter period.

The tractor industry in India is largely governed by seven major players wherein the leader enjoys a market share of about 32% today. Sonalika has clicked 5.5% in the last fiscal year. The tractors industry in India today is at a level of 2,45,000 numbers. With the current market trends, it appears to touch a level of 2,70,000 numbers by 2005. With Sonalika eyeing 22% market share, its volumes should be at the level of about 60,000 numbers in 2005. The company has closed the last fiscal year at 13,500 numbers. The company has envisaged production capacity enhancement to 75,000 numbers per annum by 2003. With this, the figures of 60,000 in year 2005, appears attainable.

INTERNATIONAL TRACTORS LIMITED

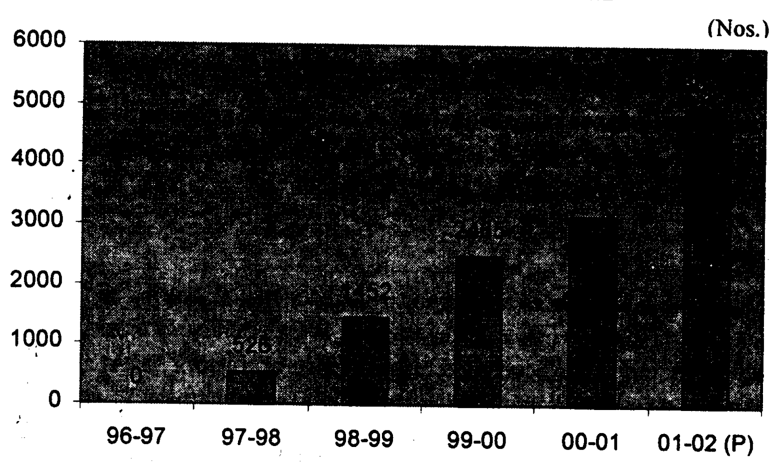

Fig. 1 Growth in Tractors Sales (First Quarter Comparison)

INTERNATIONAL TRACTORS LIMITED

(Nos.)

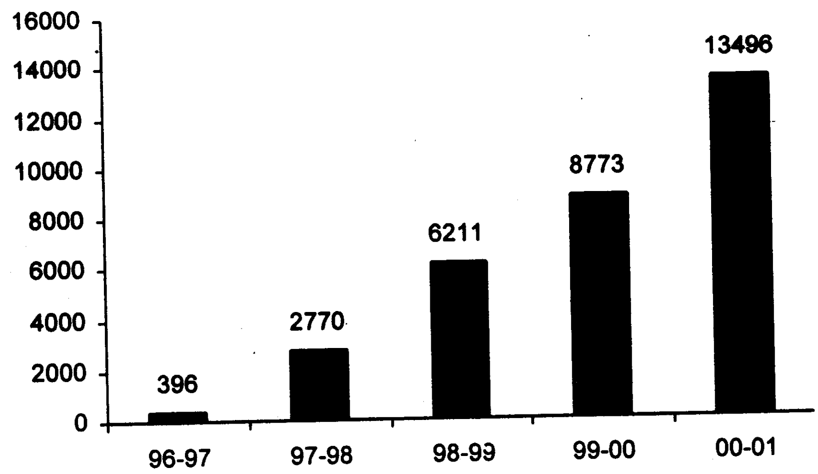

Fig. 2 Growth in Tractors Sales

MARKETING STRATEGIES

Sonalika has five pronged marketing strategy for its tractors business:

1. Presence in each segment with competitive product.
2. Spread in the entire country and reach to tehsil level.
3. Capitalise on its brand equity of reliable farm equipment manufacturer.
4. Strengthening the dealer network in terms of financial needs by providing them higher incentives and low interest burdons.
5. Developing the neighbouring markets as well as tapping export potential through overseas partners.

ENVIRONMENT ANALYSIS

Manufacturers Status

Out of seven major players, the largest share of market is with three of them. With M&M at 32% and PTL & Escorts both at about 18% each. Rest 32% market is with 4 operators. Sonalika as on date has product range even better than PTL. So the market appears favourable to its plans.

Financing Scenario

The agricultural financing scenario in the country is very liberal today. It needs only 25% of the total price of a tractor plus three implements all put together, with the farmer as margin money. All commercial banks, Co-operative banks and Land Development Banks in the country today are aggressive on farm equipment financing.

INTERNATIONAL TRACTORS LIMITED

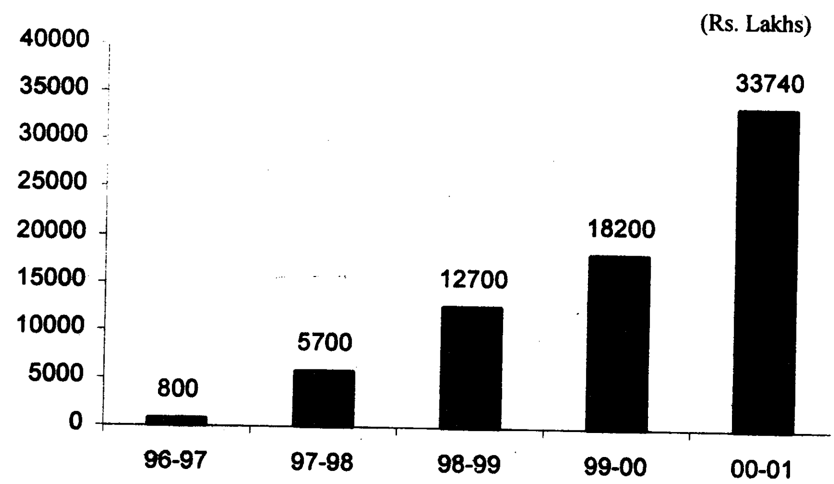

Fig. 3 *Growth in Revenue*

Crop Scenario

Barring a few states, the entire country has had 12 consecutive good monsoons. This year, it is expected that the drought affected states of Madhya Pradesh, Chhattisgarh, Gujarat, Rajasthan and Maharashtra would have a better rain fall. Yes! The prospects of tractor market have a larger dependence on this year's rain fall because—one, these states govern about 43 % of the entire tractor industry in India and two, the agriculture in these states is largely dependent on rains.

CASE

IX

ORIENTIAL INSURANCE COMPANY LTD

— Roy Verghese

The Oriental Insurance Company Ltd. (OICL) is one of the leading General Insurance companies in India and is a subsidiary of the General Insurance Corporation (GIC) of India. It is one of the oldest Insurance companies and was established in the year 1947. The company transacts all kinds of non-life insurance businesses ranging from insurance covers for very big projects to small rural insurance covers.

OICL has its Head Office in New Delhi. The company has 21 Regional Offices, 311 Divisional Offices and 635 Branch offices in various cities of the country. The company has overseas operations in Nepal, Kuwait and Dubai.

The Premium Income of the company has gone up to Rs. 21665.5 millions in 1999-2000 from Rs. 19698.8 millions for the previous year, registering a reasonable growth of around 10%. Likewise, Investment Income has increased to Rs. 3675.3 millions from Rs. 3412.2 millions. On the other hand, Capital and Reserve Funds of the company showed an increase of 10.62%, i.e. Rs. 1664.3 millions, bringing the total to Rs. 17336.8 millions. (Exchange Rate: $1 = 46.56 approx. as on 16/02/2001)

OICL is managed by a professionally qualified and experienced Board of Directors, who have vast experience in conducting General Insurance business, both nationally and internationally.

Reinsurance connections are spread all over the world. The company has a very high reputation in the Reinsurance market.

OICL specialises in devising special covers for large projects like power plants, petrochemical, steel plants and chemical plants. It has a highly technically qualified and competent team of professionals, to render the best customer service.

The company has a dedicated project cell at the Head Office as well as major cities of India. A special R&D team has been dedicated to bring out special innovative covers like Stock-Brokers' policies, special package policies, etc.

POPULAR POLICIES

A few of the most wanted and useful policies are:

- Electronic Equipment Insurance Policy
- Group Mediclaim Policy
- Householders' Insurance Policy
- Individual Mediclaim Policy
- Janata Personal Accident Policy
- Kissan Package Insurance
- Motor Comprehensive Policy
- Office Umbrella Policy
- Overseas Mediclaim (Study)
- Overseas Mediclaim Business and Holiday
- Overseas Mediclaim Employment and Study
- Personal Accident—Individual
- Shopkeepers' Insurance Policy
- Videsh Yatra Mitra Policy

CORPORATE POLICIES

To contribute to the socio economic objectives of the nation by being a vibrant and viable organisation catering to the growing insurance needs of the community. Towards this end company will strive for effective management of business operations.

CORPORATE OBJECTIVES

1. To serve better the insurance needs of the entire community, keeping customer as the focus.
2. To strengthen the tradition of the company of being customer-friendly, in order to provide quality service.
3. To manage business profitably, manage funds judiciously and deploy investible funds for optimum yield.
4. To optimise the retention of Indian business and con duct reinsurance and international operations in the best interest of the country.
5. To work towards minimisation of losses and develop risk management technologies.
6. To function as a strong and dynamic non-life insurer.

Table 1 *Financial Profile of OICL*

(Rupees in lakh)

Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
Gross Direct Premium	132555	152419	17096	196988	216655
Net premium	100918	111743	123584	142374	163203
Net Claims	83718 (83.0%)	93367 (83.6%)	99193 (80.2%)	123308 (86.6%)	133217 (81.6%)
Operating Expenses	33256 (32.9%)	30307 (27.1%)	29744 (24.1%)	34995 (24.6%)	49424 (30.3%)
Operating Surplus	(16056) (-15.9%)	(11931) (-10.7%)	(5353) (-4.3%)	(15929) (-11.2%)	(19438) (-11.9%)
Increase in Reserve for Unexpired Risks	10737 (10.6%)	4595 (4.1%)	5916 (4.8%)	9797 (6.9%)	10412 (6.4%)
Underwriting Profit/Loss	(26793) (-26.5%)	(16526) (-14.8%)	(11269) (-9.1%)	(25726) (-18.1%)	(29850) (-18.3%)
Investment Income	22902	28192	31223	34122	36753
Profit before Tax	(4204)	11091	18368	6709	6080
Tax	393	1949	2981	924	561
Profit after Tax	(4597)	9142	15387	5785	5519
Paid-Up Capital	4000	4000	4000	4000	4000
General Reserve	44671	50595	67643	74095	80325
Reserve for Unexpired Risks	57484	62079	67996	77793	88206
Capital Reserve and Other Reserves	837	837	837	837	837
Total Funds	106992	117511	140476	156725	173368
Total Investments	200454	230628	270341	304930	344943

* Last Modified: February 16, 2001