

## SUMMARY OF FINDINGS AND RECOMMENDATIONS

The research has discussed four cases of organisations examining their evolution and their strategic responses in the context of ownership forms. An effort has been made to provide a comprehensive understanding of the organisational context and the uniqueness of each of these organisation ownership forms. Different ownership forms examined were producer owned cooperative (GCMMF), government controlled cooperative (KMF), public sector undertaking (BEL), and publicly owned private sector organisation (Infosys). The origin of each of these organisations has been distinct. Their responses to changing market environment were different. The findings have been organised into four sections based on different strategy dimensions. They are organisation-environment fit, strategic adaptation, organisational typology (Miles and Snow's framework) and on the basis of the positioning school of thought as well as the resource based view (RBV) of the firm. These have been summarised in the following Table 6.1.1 which is followed by summary of findings on each of these parameters. The implications of the same for the organisations studied and potential responses by them have also been presented.

**Table 6.1.1: Summary of responses of organisations studied**

Organisations  Strategy dimension	Organisations studied across ownership forms			
	GCMMF (producer owned cooperative)	KMF (govt controlled cooperative)	Infosys (widely held public limited company)	BEL (Public sector undertaking)
<i>Organisation-environment fit</i>	Entered new business like ice creams, non-dairy business, market expansion in smaller cities across India, advocacy to create favourable market environment, use of technology for better management. Structure and strategy aligned	Missed windows of opportunities, Focus on internal responses, inadequate market expansion beyond Karnataka, stayed in its comfort zone, alignment of structure and strategy weak	Global Delivery Model, entry into high end IT consulting, lobbying with government for better IT infrastructure, use of technology to shift business to India from abroad, strong alignment of strategy and structure with SBUs having an important role	Missed opportunities in IT business, did not leverage technical expertise to enter high-end non-defence electronics business, most initiatives with internal focus and non-risky, SBU concept not taken forward its entirety
<i>Strategic Adaptation</i>	In stage III: successfully reconciled societal goals and business objectives, strategic management by the firm, Analyser in existing business by watching market trends, Prospector in new business	In the initial stages of stage II: societal goals of the state government dominates responses, Strategic planning influenced by controlling Ministry and NDDB, Reactor to environmental changes	In stage III: reconciled societal goals with business objectives, strategic management by the firm, Analyser in existing business by watching market trends, Prospector in new business	In higher stage owing to limited autonomy given, reconciliation of societal goals and business objectives to some extent, Defender comfortable in its domain
<i>Positioning</i>	Cost leadership across dairy business	No clear focus	Cost leadership using global delivery model	Limited cost cutting in the internal domain using quality initiatives
<i>Resource based view</i>	Multiple competencies that it leverages for competitive advantage	Single competency, development of competencies limited by ownership form	Multiple competencies that it leverages for competitive advantage	Single competency, development of competencies constrained by ownership form
<i>Leadership</i>	Single change, strategic direction ensured due to continuity in leadership	Changes in top management due to ownership form affecting strategy formulation and direction of strategy	Single change, strategic direction ensured due to continuity in leadership	Changes in top management due to ownership form affecting strategy formulation and direction of strategy

## **6.1 Organisation-environment Fit**

GCMMF and Infosys have been able to develop the “fit” between the key requirements of the market and the resources of the firm. They have assembled resources to reduce any gap that existed. On the other hand BEL, KMF lost quite a few such ‘strategic’ windows that were open in their respective businesses. An analysis of KMF’s strategic responses indicated that most of their responses arose from internally controllable capabilities and therefore it increased milk distribution routes and started Any Time Milk counters. Even entry into new products such as Indian ethnic sweets was due to availability of surplus ghee and surplus product manufacturing facility. Thus some of the responses such as new product launches were not exactly in relation to market changes but owing to internal stimuli. Expansion of production facility was in response to support available from NDDB and hence external. In contrast GCMMF using the production facilities of other state federations was a market driven response to increase penetration and reduce transportation costs and gain competitive advantage. KMF’s response to increase wholesalers in South India or launching Nandini Goodlife (UHT) Milk were to address external situations and well within KMF’s competence in terms of handling risks, deployment of resources, the time and efforts required to address them. Despite these, KMF has restricted itself to a specific geographic zone in the country.

There are many aspects in the controllable and non-controllable domain, both addressing internal and external aspects, which KMF did not adequately

respond to, in view of the risks, resources, time and efforts that were required were high or because KMF just did not move strategically by perceiving the need to respond and was satisfied by staying within its existing 'comfort' zone arising out of government controlled PSU character despite being a cooperative. For instance, it missed out on the growth opportunity in ice-cream business that existed and did not get into any alliance with any other cooperative to expand its reach in other cities like Mumbai or Delhi. KMF could have also made efforts to penetrate large milk markets in Maharashtra such as Mumbai and Pune that were close to the dairy unions in North Karnataka.

The major strategic responses of BEL, a public sector, have been mainly in the controllable and internal domain. BEL's diversification into civilian sector products was more to do with capacity utilisation and was less market driven. Its deployment of resources, time and efforts was propelled by internal forces and these were not 'risky'. BEL though having strong technical expertise and forming a 'software development' cell very early, even before Infosys was a force to reckon with, totally missed out on the software business growth, because it was directed by the government to focus on defence production and not to venture into other areas. Its business still revolves around defence equipments required by Indian armed forces owing to high barriers of secrecy, and military standards that prevent entry of the Indian private sector and MNCs. Such entry barriers to others prevented BEL being market oriented. BEL neither responded to software business, nor capitalised on its technical

expertise by entering into high-end non-defence electronic business though Bangalore, the base of BEL, had already acquired the distinction of the Indian version of the Silicon Valley. It could also not build appropriate organisational structures for entry in such business where strong marketing skills were essential. This was due to complacency developed owing to an assured government controlled defence market. In contrast both GCMMF in the dairy sector and Infosys in the IT sector were quick to respond to market changes. GCMMF came up with many new products such as ice-creams with clear focus of target markets capitalising on its extensive distribution network. Infosys similarly diversified its client base using its PSPD model of business and currently entering into high value consulting services.

GCMMF and Infosys have formulated strategic responses not only to address issues in the controllable-internal domain but also many of their responses have been in the non-controllable external domain. For instance, GCMMF deployed resources for advocacy to create a favourable market environment. Similarly, Infosys effectively lobbied for better infrastructure for IT sector in Bangalore. It also set up centres in many states of India to overcome resistance of some state governments for its demand for land and to reduce high cost of manpower in Bangalore. It established overseas development centres or took over firms such as the one in Australia, to work across time zones and to possibly overcome 'national' barriers and potential protectionism in future. Such initiatives would help in penetrating government business in other countries.

GCMMF's initiatives in growth areas of dairy products (ice-creams, UHT milk) non-dairy food business such as pizzas, soups, retailing etc., largely address external aspects of emergence of new consumer segments and new types of channels that have come up after liberalisation. These moves indicate a higher level of strategic engagement on the part of GCMMF, which was missing with KMF and BEL.

In the use of technology for business, both GCMMF and Infosys have shown a better strategic understanding. Infosys's Global Delivery Model is dependent on high level of technology usage. Similarly, GCMMF connected its depots across the country and used ERP for efficient marketing even before many private sector enterprises and was a pioneer in internet based marketing in the cooperative sector.

With respect to quality management, BEL's laudable initiative was driven by internal considerations as its present ownership did not allow it to either diversify from its present focus of meeting the Indian defence requirements or establish strategic alliances. In this sector it did not have much choice over price negotiations in the absence of freedom to explore alternative markets. So the only response it could have was to improve its efficiency in operations by better quality management practices and use it as a mechanism to control its other units. In contrast quality management practices of GCMMF and Infosys had their roots in responses to market changes. In fact GCMMF's

quality management strategy had features of internal organisational culture building and could even be adapted by Infosys. The quality initiative of KMF was a limited one, taken up on the prodding of NDDB. KMF also did not have the freedom on pricing issues since it must take clearance from the government.

In the context of organisational structure, KMF still does not have a strong product management team. BEL though came up with the concept of Strategic Business Units did not make them entirely autonomous or as profit centres. GCMMF, on the other hand set up its New Business Units headed by a senior managers for strategic direction in this regard. Infosys set up Offshore Centres and Proximity Development Centres. It also set up autonomous SBUs and to meet the growing demand for its banking software set up the Banking Business Unit under a senior manager thus aligning strategy and structure. Both GCMMF and Infosys have moved from being product branding strategy to corporate branding, GCMMF through its “Amul-The Taste of India” campaign and Infosys through its corporate brand strategy.

## **6.2 Strategic Adaptation**

Another aspect of strategy is organisational adaptation with a view to developing strategy in relation to the environment. There are three stages in strategic adaptation; stage I where the ideological considerations dominate business objectives, stage II where there is an alignment between the

ideological considerations and business objectives with emphasis on growth and in stage III strategic management is entirely by the enterprise.

While KMF is in the initial stages of stage II where it has been making an effort to reconcile social ends of meeting Karnataka government's rural development initiatives, BEL has been able to move to a higher level in stage II reconciling business goals and government's requirements in a manner acceptable to its controlling ministry by taking advantage of its operational autonomy given to it through the MOU signed with the government earlier. The Navaratna status conferred recently would give BEL more operational autonomy. In the case of GCMMF and Infosys they are in stage III where they have successfully aligned their societal obligations with business success. In stage III, the strategic management is located totally within the enterprise. Hence GCMMF has acquired competency to enter into external domains without depending on NDDB and also into non-dairy businesses. Similarly Infosys is getting into high-end IT consulting and complex IT development projects, hitherto the preserve of select multinational consulting firms. In the process both GCMMF and Infosys have emerged as institutions, organisations highly valued by the public and their founders seen as institution builders.



### **6.3 Application of Miles and Snow's Framework**

Using Miles and Snow's framework (1978) one could infer that the organisation type of the firms studied were as below:

BEL is a 'defender', KMF is a 'reactor', GCMMF is an 'analyser and prospector' and Infosys is also an 'analyser and prospector'. Being a PSU, BEL is basically a defender, an organisation that operates in the narrow product – market domain of Indian defence equipment. The top management has high level of expertise in its limited business. As a result BEL has not modified its technology, structure or methods of operation in any significant way. It has just focused on improving its efficiency in operations by quality management practices.

KMF is mostly a reactor, an organisation in which the top management perceives change and uncertainty in their environments, but has been unable to respond effectively. The alignment between strategy and structure was found to be inadequate, and very limited changes were introduced in the structure evidenced by the fact, despite introduction of many products, yet had not formed a strong product management group.

GCMMF and Infosys are analysers. GCMMF markets traditional dairy products. Only in recent times it has started getting into "luxury" or "western" type of dairy products where the growth is not stable. In this product-market, it closely observes the moves of MNCs before launching its products. Similarly Infosys's main thrust is software development, which is its core activity, and it

focuses only on growing segment and a lot of its effort is towards existing customers. Of late, it has been diversifying into high-end IT consulting with the entry of MNCs.

In its entry into non-dairy businesses, GCMMF is a prospector where it searches for emerging market opportunities and tries new responses to emerging market environment. In these areas, while unsettling competitors, it still has to attain high level of competency (e.g., Pizza business and chocolates). Similarly, Infosys entered with its BANCS software product and is endeavouring to develop more software products and proposes to undertake high-end IT consulting projects. In these new initiatives it still has to achieve substantial competencies.

#### **6.4 Positioning Status**

In the case of the dairy sector the entry barriers are low. The dairy technology required is easily accessible; access to finance is not difficult for the Indian private sector or MNCs. Consequently, post liberalisation many private sector firms and MNCs have entered the dairy business intensifying the competition and giving more choices to consumers. The farmers also have freedom to supply to other buyers of milk. KMF has not been able to respond adequately to this in view of control exercised on it by the government. Even seeking more resources from the government would only increase the government's control.

GCMMF has carefully scripted a marketing strategy that is based on overall cost leadership by acquiring quality professional manpower from IRMA, establishing distribution highways to reduce costs, alliances with cooperatives across the country that are closer to major markets for local manufacture and a judicious advertisement strategy that focuses on brand identity building and not on individual products. Its ERP initiative has been to increase information flow across units and reduce costs by better coordination based on accurate information.

Till recently, Infosys focused a lot on overall cost leadership using its Global Delivery Model that shifted software development work from on-site work abroad to its centres in India. Having development centres across all time zones, Infosys is now emphasising on capability and brand development to enter into high-end IT consulting business.

BEL has focused on cost cutting in the products manufactured as it has no say in pricing. The government is likely to open up the defence sector to Raksha Utpadan Ratna (RUR) companies which would be treated on par with BEL. This would increase competition as the Indian armed forces would have alternative sources to buy.

### **6.5 Resource Based View of the Firm**

While GCMMF and Infosys have been able to develop multiple capabilities, KMF and BEL have a uni-dimensional capability. BEL, being a PSU is

restricted by its ownership in acquiring new capabilities by exploring new domains. Same is the case with KMF which operates in a comfort zone with restrictions from the state government. The ownership form in the case of KMF and BEL limits development of strategic capabilities at levels below the corporate level. SBUs in these organisations have a purely internal and operational focus. In GCMMF such capabilities exist at the dairy union level and in Infosys strategic capabilities are present at SBU level. Development of such capabilities in KMF, a government controlled cooperative and BEL, a PSU have been constrained by the ownership form as they are required to work in domains charted out to them by the government.

## **6.6 Implications**

Implications for the management fraternity from the foregoing analysis have been presented in this section.

Understanding the extent of fit between the organisation and its environment helps in the examination of an organisation's competence in dealing with market changes and in undertaking market planning on the basis of future evolution of the market in a given sector. In the case of KMF, the management fraternity and NDDB-the apex body for the dairy sector in India, can help in identifying market opportunities by undertaking continuous market research and formulating plans to exploit the opportunities available to it. The apex body can also help KMF in expanding the distribution of its products beyond Karnataka and in strengthening its product management team and expertise in product management. This would enable KMF to become more market oriented. As regards GCMMF, it is quite successful in its existing dairy sector

business. GCMMF, however, has to examine whether its current competence is adequate to meet the requirements of the market environment in the new business areas it has entered. In this area, the apex body NDDB and management experts can support GCMMF.

BEL is planning to increase its market penetration into civilian electronics business. This calls for high level of marketing management capabilities on the part of BEL and building appropriate organisational structures within BEL (the organisation) to take care of the civilian markets. BEL also has to establish a marketing network to meet the requirements of the civilian markets. Management experts could help BEL in these areas. In addition, BEL can be supported in taking forward the SBU concept. The larger SBUs in BEL can also be enabled to play a more proactive role in strategic planning. This implies strengthening strategic management expertise at the SBU level. In the case of Infosys, it has to acquire more competencies in its forays into high-end IT consulting business in different sectors. It can also seek external expertise to develop the same. Infosys, which has a vast pool of human resources, has to integrate the same to achieve business objectives. In this regard, it can learn from GCMMF, which has brought about the integration of its farmer-members, employees, dealers and retailers using quality management practices. Management researchers can be of use to Infosys to develop an initiative of this nature.

Understanding strategic adaptation of the different organisations studied is relevant for appropriate support by management fraternity to the organisations. KMF is controlled by the government in its strategic responses. The state government's priorities dominate KMF's market related responses. Ensuring autonomy to KMF's top management in strategic management (at least selectively) is an area that can be considered by the management experts in NDDB. They can explore designing possibilities such as the MOU concept used in the context of public sector enterprises and their controlling ministries. In the case of BEL, conferment of Navaratna status to BEL provides high level of autonomy to the company and shifts strategic management to the company from the government. Management experts can support BEL in developing strategic management capabilities by strengthening its strategic planning division. The role of Bharat Electronics Quality Institute (BEQI) at BEL could be expanded similar to the Infosys Leadership Institute (ILI) of Infosys and the Tata Management Training Centre (TMTC) of the Tata group. This is an area where management experts can of considerable help to BEL.

In addition, KMF has been more a 'reactor', implying limited and partial responses by it to changes in the market environment. Such organisations have limited alignment of strategy and structure and respond only when pressurised by external environmental situations. The experts in the apex body NDDB, or those in knowledge institutions such as IRMA, can assist KMF in redesigning its structures and processes to make it more market oriented. In the case of GCMMF, it has been an 'analyser' in its existing dairy business and at the

same time a 'prospector' in its new business initiatives and in responding to emerging trends such as organised retailing. In this area, GCMMF may have to innovate in view of the uncertainties involved. Apex bodies such as NDDB and management researchers can support GCMMF to formulate responses in the emerging areas of business where it has made an entry. Our study brings out the within sector variations of responses of enterprises in the same dairy business to the market environment. NDDB, the apex body for the dairy sector in India, can therefore customise its policy support to different cooperative organisations based on their ability to respond to environmental situations.

In the case of BEL, being a 'defender' type of organisation, its primary focus has been to become operationally more efficient in its limited domain, i.e., defence electronics, and not to venture out much into other areas. Management thinkers and the controlling ministry can support and assist BEL in entering emerging areas such as the civilian electronics business that involve high technology and identify potential business opportunities. In the case of Infosys, it is an 'analyser' in its existing business and 'prospector' in its new forays. Therefore, Infosys can seek expertise or acquire the same in new sectors of IT consulting business such as healthcare, e-governance, etc.

GCMMF's strategy revolves around cost-leadership in the business. This has been possible by gaining experience in the dairy business, through quality management practices, investment in production facilities and developing a strong distribution network. In future, it could move towards a strategy built

around differentiation, strong brand management and customer loyalty. In the case of KMF, no clear strategic 'position' has emerged. The role of the apex body NDDB becomes more important for a regional cooperative organisation such as KMF. It could be helped by management experts in NDDB in formulating a strategic position of cost leadership with focus, i.e., it could focus on developing more niche customer groups (health conscious segments that require low fat milk products like NANDINI Slim), add product lines that are growing (such as branded Indian milk sweets) and enter other geographic markets in south India and south Maharashtra on the basis of low cost. This would in turn aid KMF develop marketing competencies relevant to the focal market. Management experts can be of considerable help to KMF in this area.

With regard to BEL, it has made efforts towards cutting costs in its operations. Given its high technological capabilities in the defence electronics sector, it can take the strategic position of 'differentiation focus', by differentiating itself on the basis of its superior technological expertise. It can develop unique products for the defence and civilian electronics markets by identifying potential product concepts through marketing research. It is here that management experts can be of assistance to BEL.

Infosys, through its Global Delivery Model, endeavoured to achieve cost leadership in the IT services sector. In future, it may have to differentiate itself through innovation. In this area, knowledge institutions such as IISc, IITs and IIMs can be of help to Infosys.



A major aspect in strategy formulation and implementation is the continuity of the leadership of the organisation. The different stakeholders of the organisations studied ought to exercise the option of continuity of leadership to ensure strategic direction. In the case of GCMMF and Infosys, it involves preparing a second tier of leadership. The same has to be ensured by the stakeholders. In the context of KMF and BEL, the tenure of the top management is fixed by the government due to the nature of ownership as a government controlled cooperative and public sector organisation respectively. With regard to KMF, the apex body NDDB could play a role in continuity of leadership, subject to achievement of business objectives. Similarly, in the case of BEL, the controlling ministry could support continuity of leadership, subject to achievement of pre-defined business goals.

Of all the organisations that have been studied, KMF has been the least successful. It missed a lot of market opportunities in the late 1980s and the early 1990s. It was more a reactor to the market environment. Only in recent years it has started responding to the market situation, with the guidance and encouragement of NDDB, more effectively than in the past. BEL has been moderately successful, being a dominant player in the domain of defence electronics market in India. Its penetration of the civilian electronics market has been limited. GCMMF and Infosys have been quite successful in their chosen domains of businesses. The two organisations, GCMMF and Infosys, have been taking efforts to acquire competencies in the new growth areas that they have entered. The analysis covers organisations that are successful as well as those that are not quite successful. The knowledge gained from this

study can help organisations, which are successful and not quite successful, in formulating their responses to the market environment better.

In our analysis, the organisations have been studied from the perspectives of different schools of strategy. It helps the stakeholders of the organisations and apex bodies controlling the organisations in understanding intra-industry differences, the stage of evolution of the organisation with respect to strategic management and in formulating strategies accordingly. As the study combines various frameworks of analysis, it would help the top management to be strategically geared with regard to its current capabilities and future capabilities required to meet the changes that are anticipated in the market environment. Apex bodies and controlling ministries in a given sector can formulate customised policy support for specific organisations based on their ability to respond to the environment. Top management leaders of enterprises can also gain by undertaking such analysis, by identifying competencies that are required to face competition and steps to develop the same.

## **6.7 Conclusions**

This study was commissioned with the view to unravel the influence of 'form of ownership' on the strategy pursued by an organisation because form of ownership by its very nature was expected to constrain or expand the autonomy of the management which is charged with responsibility to craft and fine tune the corporate strategy in tandem with changes in the business milieu.

It seems from the analysis of the case studies that the extent of autonomy for an enterprise in an ownership form does influence the strategic responses. KMF, as a cooperative federation, is tightly controlled by the state government, even in aspects like the recruitment of professionals, the government's controlling ministry has a say. This leads to tight control on structure as well as process and hence arrests the speed with which the organisation can respond to changes. This was exemplified by KMF and BEL both being government controlled enterprises.

KMF needs the concurrence of government with respect to financial practices, hiring of advertisement agencies and more importantly investment decisions. The CEO is appointed by the government and the chairman is often a person with political persuasion. Such tight control constrains the strategic responses of KMF. In addition, it has not been able to develop alliances with other state federations for marketing of NANDINI brand in other states, as its focus is primarily the home state as per the diktats of its owner, the state government. Further, KMF and BEL continue to be focused within the realm of societal objectives evidenced by the fact that KMF has to take care of unviable cooperatives and BEL cannot go beyond the mandated defence production.

The appointment of BEL's CEO and its budget etc., are determined by the government. As a result they have not been market oriented though there have been umpteen opportunities after liberalisation. Even in BEL's implementation of the independent director concept, there is strong

government linkage with most of them belonging to government backed institutions. It also carries the legacy of certain sick units handed over to it for management as per government policy.

GCMMF, has been more market oriented by virtue of its being a genuinely producer owned cooperative instead of being government controlled. Infosys despite being a late starter in Bangalore compared to BEL, being a widely held public company, with employee ownership, has responded strategically in the software business and has grown faster than others in the same sector or even early starters like BEL.

Dispersed ownership firms, such as GCMMF and Infosys, have been able to understand the liberalisation process better and have taken better advantage of changes across business sectors. GCMMF has taken advantage of the potential changes in retailing industry, the Multi-State Cooperative Act that removed locational restrictions and general encouragement of the government to business and is poised to take the benefits of producers' company bill if it is introduced in its progressive form. Similarly, Infosys attempted to develop infrastructure in various locations and has even endeavoured to set up an IT campus with lodging facilities and plans to set up an IT city in future. It has also developed a model for Public-Private Partnership with the state government.

GCMMF being a producer cooperative has been blessed by not only eminent and visionary leadership but consistent and continued leadership because of its ownership pattern and hence its market orientation. The consistency in leadership influences strategic choice and response of the organisation. KMF has witnessed three times leadership changes in a decade or so. Same is the case with BEL where the CEO has changed four times since 1993. In contrast, Infosys has seen a change at the top only twice since its inception. Interestingly, in the case of GCMMF, till recently the Chairman was the same person since its inception (Dr Kurien until recently) and so also with Infosys (Mr N. R. Narayanamurthy before he stepped down). They provided strategic direction, and had a succession plan for operational strategies, Mr Nandan Nilekani in Infosys and Mr Vyas in GCMMF. Thus continuance of shared vision was ensured. Thus continuity in leadership in tightly controlled enterprises also has influence on strategic responses and is an aspect to be considered by apex bodies that control such cooperative and public sector organisations.

Initially Infosys seemed to be highly influenced by the cost focus of its strategy and of late it has been concentrating on capability and culture building through the Infosys Leadership Institute. In this area it has much to learn from GCMMF, which helped in setting up of IRMA and used it to develop its human resources at various levels. In fact it attracts high quality manpower at a cost lower than MNCs.

The moot question is, as to how GCMMF, despite being in the cooperative sector has been market oriented and how it insulated itself from government control. The reason could be that (initially Amul) GCMMF had its origins in the fluctuations of the market and the setting up of the organisation itself was a strategic response. The context of setting up of GCMMF and freedom from government audit as it is not dependent on financial support from the state exchequer are relevant. Other state federations have their genes in government departments and hence are likely to have features of control of administrative ministry which mars the entrepreneurial zeal of the leadership in the organisation. So has been the case with BEL which was set up as a captive unit for defence requirements, thus retaining the features of its parent department. Its strategic responses seemed to be akin to the planning school of strategy. In contrast to this Infosys grew out of perceived market needs and hence became highly market oriented and customer focused. Moreover being a publicly held private sector company it has full autonomy for its management through its professional board of directors. Infosys also had its origin as a response to a market situation.

## 6.8 Recommendations

The following are the recommendations based on the research undertaken to examine strategic responses of enterprises to changes in market environment under different forms of ownership:

1. More dispersed ownership and professional management as in the case of Infosys aids better strategic responses by enterprises. Public sector enterprises increasingly need to move in this direction.
2. Cooperatives need to have professional boards with greater autonomy for them to respond to market changes.
3. Product diversification and growth in tune with the changes in market should not only be anticipated, but the 'strategic windows' should be seized to ensure growth and maintain competitive advantage.

The opportunities have opened up post-liberalisation. Enterprises, irrespective of their forms of ownership, should 'arise and awake' to achieve their business goals with growth and flexibility as watchwords.

With respect to specific organisations studied the following are the recommendations:

BEL should exploit the operational autonomy given to it through the Navaratna status, establish strategic alliances to respond better to the opening up of the defence production sector to private sector.

Infosys's major challenge is one of internal culture building given its entry into value added consulting and also the large size of its professional manpower.

GCMMF's constituent unions themselves have acquired independent marketing capabilities. GCMMF ought to involve the dairy unions in strategy formulation more intensively and align the dairy unions' strategies with that of the federation.

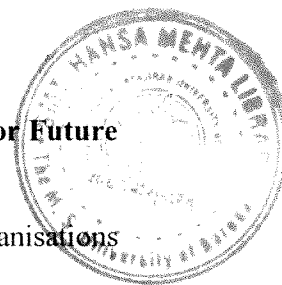
The state government ought to give more autonomy to KMF so as to develop competencies in specific niche segments and have a strong presence in South India. The apex bodies like NDDB entrusted with the responsibility of developing organisations in the sector have their task cut out and need to continuously help growing organisations like KMF to develop strategic competencies to respond effectively to market changes.

## **6.9 Limitations**

The study has been based on case studies and hence lessons drawn from these cannot be generalised. Larger studies are required within each sector to permit such generalisation.



## 6.10 Future Market Scenarios, Potential Responses and Scope for Future Research



In this section the future scenarios and potential responses by the organisations studied have been presented.

### **KMF:**

Recently, KMF has launched more new products in the Bangalore market. These include flavoured milk in tetra packs in four flavours. It has also taken an initiative to market its UHT milk in one litre packs in Singapore through a Chennai based exporter. A few consignments of butter and skim milk powder have been directly exported to Australia. In the domestic market, it has increased the margin for wholesalers and dealers of ghee by 5% and for retailers of long shelf life milk by 10%. The selling price of toned milk has been increased by Rs.2 per litre. An effort has been made to expand the market for UHT milk by strengthening the dealer network.

For KMF, the following are the future scenarios that can be envisaged:

- Scenario 1: Multinational firms dominating the dairy business in India.
- Scenario 2: GCMMF dominating the dairy business in India (including Karnataka).
- Scenario 3: KMF expanding into North Indian markets.
- Scenario 4: Joint venture with Mother Dairy, Delhi.
- Scenario 5: KMF forming strategic alliances with select state dairy federations in other states in the country.

The first scenario is not an immediate likelihood as MNCs would not enter the Indian market without a local partner. According to experts, finding a suitable

partner in India is not easy. Private sector firms and multinational firms that have entered the dairy business have found it difficult to sustain themselves, as a strong procurement base is required in the dairy sector in addition to marketing skills. In addition, the profit margin in the marketing of milk is low as the producers' share of the selling price is high (65 to 70%), thus rendering liquid milk marketing an unattractive business for MNCs which aim high profits. MNCs also focus on high-margin western dairy products such as cheese, for which the demand is not high due to Indian food habits.

The second scenario of GCMMF dominating the market in Karnataka is not easy. This is because there are local preferences favouring KMF, which also has the advantage of being an early player in the home turf with a well developed distribution network. In addition, with a vast market to be explored in North India, it is logical for GCMMF with its professional market-oriented work culture to focus on penetrating dairy markets in North Indian cities.

The third scenario of KMF expanding into North India is a possibility in future. This scenario, however, would call for a much larger procurement base, better quality of milk procured and a professional market-oriented work culture. Such an expansion would call for more financial resources and would increase KMF's dependence on the Government of Karnataka.

KMF is sending fresh milk through railway milk tankers to Mother Dairy, Delhi, to meet the huge requirement for milk in Delhi. This does not imply

that the fourth scenario of KMF forming a joint venture with Mother Dairy, Delhi is immediately likely. In addition, owing to the differences in organisational culture due to the nature of ownership (Mother Dairy, Delhi, is a public sector company under NDDB; and KMF is a cooperative organisation) a joint venture may not be feasible. This would also cause channel conflicts in marketing. NDDB, which proposed the idea of a joint venture with Mother Dairy, has also dropped the same in view of opposition from cooperative leaders. KMF could in future explore the possibility of marketing select niche products such as Mysore Pak (a South Indian sweet), and cheese from cow milk (a product preferred by some customer groups) through Mother Dairy, Delhi. Such a response by KMF would circumvent channel conflicts and enable KMF to expand in North Indian markets. Identifying niche market opportunities calls for further market research.

The last scenario involves KMF forming strategic alliances with other state level cooperative federations by extending the principle of **‘Cooperation among cooperatives’** (one of the Rochdale principles that govern cooperatives all over the world). KMF is already packing Amul products in some categories and collaborates with Kerala Milk Union, and is exploring possibilities of marketing tie-ups with cooperative organisations in Tamilnadu and Andhra Pradesh. The state government exercises high control on KMF in fixing the price of milk (recently there were major differences between KMF and the state government on the issue of increasing the price of milk. The state government even indicated take-over of KMF by the state on this issue). In

this kind of situation, KMF forming strategic alliances with leading cooperative organisations is the most feasible future response. The approach to the design of strategic alliances offers scope for further study and research.

#### **GCMMF:**

In the context of GCMMF, the following scenarios are envisaged:

- Scenario 1: Multinational firms dominating the dairy business in India.
- Scenario 2: GCMMF dominating the dairy business in India.
- Scenario 3: GCMMF expanding into North Indian markets.
- Scenario 4: Joint venture with Mother Dairy, Delhi.
- Scenario 5: Strategic alliances with leading cooperative federations in the country.
- Scenario 6: Larger unions under GCMMF acquiring independent marketing capabilities.

The first scenario is not likely for reasons outlined in the analysis pertaining to KMF. In the case of the second scenario, GCMMF would not dominate the dairy business in India entirely. There are major reasons for the same. Firstly, food habits with respect to usage of milk products vary across the country. These can only be met by the local cooperative federations in the respective states. In addition, as a pioneer in the cooperative model of business, GCMMF would not do anything that destroys other cooperatives. It sees itself as an organisation that helps other cooperatives.

The third scenario of GCMMF expanding further in the North Indian markets is very much possible. The North Indian markets for milk are large and

attractive. Some of the cooperative federations in North India are unable to meet the same. The response of GCMMF can be to take over the management of unviable dairy plants in the cooperative sector and the private sector. This would enable GCMMF to reach North Indian markets and also cater to the demand for milk from large organised food retailers. GCMMF has a strong milk procurement base with considerable surplus milk and resources to undertake this activity. As a cooperative federation which is totally producer-owned, without dependence on the state government and with a multi-state presence in the dairy business, this response is possible for GCMMF. With the emergence of large organised retailers in the foods sector, such a response by GCMMF is likely.

The fourth scenario of joint venture with Mother Dairy is unlikely in view of the differences in the nature of ownership. With regard to the fifth scenario, GCMMF has tie-ups with select cooperative federations such as KMF in south India. GCMMF can develop such relationships with other state cooperative federations into strategic alliances using the principle of 'cooperation among cooperatives'. Such strategic alliances can be entry barriers for MNCs that plan to enter the dairy sector in India.

GCMMF has large dairy unions under its umbrella that have independent production and marketing capabilities. In view of this, it would be important for GCMMF to align its marketing strategies and structure with those of its member unions, including the adoption of a common brand management

strategy (till recently a few of the unions promoted their own brands in their home districts). The role of member unions in strategic planning by GCMMF can be an area of future research.

A very recent development in the dairy cooperative sector is the concept of New Generation Cooperatives. In the light of liberalisation institutions are required to link the rural producers and the emerging market opportunities. Given the prevailing competition there is a need for an alternative institutional form for cooperative enterprises to effectively compete in the market. With this objective the Government of India set up an expert committee, under the Chairmanship of Dr Y. K. Alagh, to make recommendations for a legislation that blends the dimensions of the cooperative form of enterprises within a regulatory framework similar to those of companies. The recommendations of the expert committee led to the amendment of the Companies Act allowing the formation of the Producer Companies from February 6, 2003 (including the mutual help and cooperative principles) within the liberal regulatory context of the Company Law. Producer companies have greater autonomy and lesser control from the government enabling them to compete more effectively with private companies. Existing cooperative organisations can also convert them into a Producer Company. Presently NDDB the apex body for the dairy sector in India has been examining the feasibility of formation of the New Generation Cooperatives under this act and the scope for existing cooperative organisations becoming Producer Companies. Discussions have been held with experts from IRMA in this regard. The implications of existing large

cooperative federations such as KMF, GCMMF and those in other states becoming Producer Companies offers scope for future research.

**BEL:**

In the light of the discussion earlier, given the changing business environment, its strengths and weaknesses, BEL has revised its vision, mission and objectives.

BEL's new vision is to be a world-class enterprise in professional electronics. Its mission is to be a customer-focused, globally competitive company in defence electronics and other chosen areas of professional electronics through quality, technology and innovation. BEL has also appointed KPMG, the international management consulting firm, to study BEL's present plans and identify opportunities for development of current market segments, penetrate new and emerging ones. BEL has also undertaken new initiatives such as decentralisation of the Marketing Group for better customer focus in defence and civilian market segments, and has set up more customer support centres. BEL has increased its efforts towards training its officers in marketing (through a six month Certificate programme with the help of MDI, New Delhi). BEL has also created a Strategic Planning division.

In the light of the context highlighted as above, the following future scenarios are envisaged for BEL.

- Scenario 1: Dominance by MNCs in the defence electronics market in India.
- Scenario 2: Joint ventures of MNCs with large Indian companies in the defence electronics market in India.
- Scenario 3: Entry of MNCs in joint venture with large Indian companies in the high-end civilian electronics market in India

The first scenario of MNCs dominating the defence electronics market in India is not likely. This is due to the fact that national security is a major concern in India and the Central government, irrespective of the party in power, would not encourage the trend of the country depending on MNCs in the defence sector.

The second scenario of MNCs forming joint ventures with large Indian private sector companies is a potential possibility. As the defence industries sector is being opened up and the Government has permitted up to 26% foreign investment, leading Indian companies are likely to respond to this emerging opportunity. At the same time, it might be a few years before this scenario becomes possible, as there are many entry barriers such as establishing manufacturing facilities, acquiring product development competences that match that of BEL, and understanding the stringent requirements of the Indian defence sector.



The third scenario is a very likely one. MNCs are entering the communications sector and a few may enter through their subsidiaries. Large Indian companies may collaborate with them.

In the light of the above market scenarios, BEL's responses would involve BEL collaborating with select Indian and foreign companies to penetrate the defence and civilian electronics markets in India and abroad through strategic alliances, collaborations and joint ventures.

BEL is collaborating with Tata Power, Walchand Industries, L&T and ECIL to manufacture and deliver two squadrons of Akash Missiles to the Indian Air Force. BEL is also exploring possibilities of joint ventures and collaborations with foreign firms. It is here that the knowledge gained from the present research study can be applied. Taking advantage of the autonomy given to BEL by virtue of its Navaratna status, the following responses can also be considered. The Strategic Planning division of BEL can have a more critical role and its scope can be expanded to include management services such as market research and Organisation Development initiatives. This would strengthen the building of a market oriented culture in BEL. At present, a six month training programme in marketing for BEL has been undertaken by Management Development Institute (MDI). Given the complexities of BEL, its BEQI (BEL Quality Institute) can be expanded to become a full fledged management development centre under the Strategic Planning division, on the lines of the Tata Management Training Centre.

In the past, BEL's strategic responses to market changes have been internal to the organisation due to the nature of its ownership. As there is autonomy given to it under the Navaratna status, BEL can undertake market research and spot more windows of opportunities based on the findings of the KPMG study (that has recently been undertaken). It is making efforts to benchmark itself with European companies and learn from their experiences. BEL can also move towards the 'analyser' typology and focus on differentiation. BEL can also develop multiple competencies to meet the civilian market requirements. This transition and change management process can be an area of further research. In view of the autonomy bestowed on it by the government, strategic planning would shift within the enterprise (instead of being directed from the controlling ministry) as envisaged in our study on the basis of Murthy's framework. In the process, BEL would be able to compete and respond effectively in the market.

**Infosys:**

Infosys has re-examined its strategies, in view of the changing business environment due to the slowing down in the US economy. It has responded by reorganising itself and taking advantage of the new market opportunities. A strategic response has been to focus on growth even if it implies lower profitability. This is a major shift in its strategy. Unlike the past, when the company was selective in choosing software projects with high profit margins, presently Infosys has started focusing on increasing its market share even if this implied taking up projects with lower margins. In addition Infosys has

made an effort to offer new services in areas such as hedge fund management, wealth management, learning services, etc., in its banking financial service and insurance verticals. Offering more niche services can be in response to the impact of the slowdown in the US economy on banking, financial service and insurance sectors, the main market segments for Indian IT majors. The company, in future, can offer more such niche services. In the light of the present market situation, Infosys would be concentrating on developing capabilities in new areas such as retail, telecommunications, pharmaceuticals, logistics, health care and the energy sector. As the CEO of Infosys put it, the Company needs to find “new growth” engines. It has also made efforts to enter new geographical areas such as the Middle East, Latin America and South Africa. The company initiated a restructuring exercise to integrate its existing business units. Six new business units and five horizontal units have been set up to meet emerging market segments outlined earlier.

The scenarios for Infosys are outlined below:

- Scenario 1: Further slow down in the US economy affected its growth.
- Scenario 2: Fragmentation in the Indian software business due to intense competition between IT majors and new entrants.
- Scenario 3: Development of new market segment and opportunities.
- Scenario 4: Increasing market needs for software product development.

The first scenario is a likely one. A strategic response of Infosys would be to explore other major markets in Europe and Australia. The second scenario is not an immediate possibility, as existing IT majors are well entrenched.

Infosys's present focus on having higher market share and its strong relationship with clients would help in this scenario. Infosys has also made concerted efforts to acquire companies (it made a bid to acquire a British IT firm) to gain access and competitive advantage in other geographical areas, such as Europe, and to undertake high-end consulting projects. A separate business unit has been formed to meet the domestic IT market requirements in India as it perceives that the Indian market has evolved to a new level. Infosys as indicated earlier has been taking advantage of emerging market segments and is planning to increase its focus on the domestic market in India. To tap new market opportunities, it can endeavour to take over software firms with specific capabilities in other developed countries such as Australia and the United Kingdom. Acquiring strong branded software product development capabilities is not possible in the near future for Infosys (despite its development of Finacle). The knowledge gained from this study indicates that Infosys has considerable flexibility to formulate its responses to a changing business environment by virtue of its ownership form as a widely held company. The future path in which Infosys can embark is in the direction of high-end IT consulting. It has also the advantage of being a company with professionals. The role that can be played by the Infosys Leadership Institute and its various SBUs in strategic planning can be a subject of future research. The strategic planning of Infosys is within the framework of Infosys as an enterprise. It is not constrained in its responses unlike public sector firms (which need clearance from the controlling ministry) for any strategic decision.

The researcher had informal discussions and interactions with senior officers at the KMF Head Office at Bangalore in the context of the dairy industry after completion of the study. Recent developments indicated by them have been incorporated. In addition, a formal presentation of the case study was made to the senior officers of KMF at the Head Office to validate the findings and suggestions made have been included. The list of officers present with their designations has been given in Appendix 1. A copy of the letter issued by KMF clearing the case has been enclosed (Appendix 3).

With respect to BEL interactions were at two levels. Initially it was with the officers of the Strategic Planning Division, BEL Corporate Office at Bangalore in the context of the defence electronics and IT sectors. Subsequently a formal presentation was made in the context of BEL case study to the Executive Director (Strategy and Systems), BEL Corporate Office, Bangalore and the officers of the Strategic Planning Division to validate the findings. Suggestions made by them have been incorporated. The list of officers present with their designations has been given in Appendix 2. A copy of the letter issued by BEL clearing the case has been enclosed (Appendix 4).

To sum up, the foregoing analysis derives to the inference and not generalisation owing to the case study nature of the work, that ownership form appears to be influencing the autonomy and affecting the strategic responses

of the management but it cannot be conclusively said that form of ownership is responsible for strategic response since their type and style of leadership too may have significant bearing in shaping the strategic move by the organisation. In ultimate analysis what matters may not be the form rather the soul provided by the leadership to the organisation.